

MONTANA

Legislative Fiscal Report 2009 Biennium

Volume 3—Agency Budgets

Introduction

House Bill 2

General Government and Transportation - Section A

Health and Human Services - Section B



June 2007

Legislative
Fiscal Division

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Legislative Fiscal Report

2009 Biennium



Volume 3 – Agency Budgets

Presented to the Sixtieth Legislature

Submitted by the
Legislative Fiscal Division

Legislative Finance Committee

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AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

GENERAL GOVERNMENT AND TRANSPORTATION (Section A)

Legislative Branch
Consumer Counsel
Judiciary
Governor's Office
Secretary of State
Commissioner of Political Practices
State Auditor
Transportation
Revenue
Administration
Montana Consensus Council
Office of the Public Defender

HEALTH AND HUMAN SERVICES (Section B)

Public Health and Human Services

NATURAL RESOURCES AND COMMERCE (Section C)

Fish, Wildlife, and Parks
Environmental Quality
Livestock
Natural Resources and Conservation
Agriculture
Commerce

CORRECTIONS AND PUBLIC SAFETY (Section D)

Crime Control Division
Justice

CORRECTIONS AND PUBLIC SAFETY (continued)

Public Service Regulation
Corrections
Labor and Industry
Military Affairs

EDUCATION (Section E)

Office of Public Instruction
Board of Public Education
School for the Deaf and Blind
Commissioner of Higher Education
Community Colleges
University Units and Colleges of Technology
Agricultural Experiment Station
Extension Service
Forestry and Conservation Experiment Station
Bureau of Mines & Geology
Fire Services Training School
Montana Arts Council
State Library Commission
Montana Historical Society

LONG-RANGE PLANNING (Section F)

Long-Range Building Program
State Building Energy Conservation
Long-Range Information Technology Program
Treasure State Endowment Program
Treasure State Endowment Regional Water
System
Renewable Resource Grant & Loan Program
Reclamation & Development Grant Program
Cultural and Aesthetic Grant Program

APPROPRIATIONS BY AGENCY AND PROGRAM (ROAD MAP)

This summary of the layout and composition of the “Appropriations by Agency and Program” section is designed to provide the reader with a “road map” for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

BUDGET TIERS

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

1. Base budget, which is defined as “that level of funding authorized by the previous legislature”.
2. Present law budget, defined as “that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature”.
3. New proposals, which are “requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding...”.

(For a further explanation of these tiers and how they are derived, see page 1 of the “General Reference” section in Volume 1, or the publication entitled “Understanding State Finances and the Budgeting Process”, available through the Legislative Fiscal Division and on the Internet at http://leg.mt.gov/content/publications/fiscal/leg_reference/Understanding_State_Finances.pdf).

The fiscal report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2009 biennium agency budget.

COMPONENTS OF THE FISCAL REPORT

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative.
2. The program narrative.

Agency Narrative

The agency narrative provides an overview of appropriations for the agency. Since the legislature appropriates at the program level, only discussion pertinent to the agency as a whole is included in this section. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the appropriation by year, including separate columns showing present law adjustments and new proposals. The reader can use this table to not only get a general idea of the size and funding of the agency, but also view any changes made.
2. **Agency Description** is a brief description of the agency.
3. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
4. **Summary of Legislative Action** provides additional information or overarching discussion.
5. **Agency Discussion** is used to discuss overarching issues or action of the legislature.
6. **Funding** is a table that shows the total biennium funding, by program and fund type. A further discussion of the individual fund types is included in the program narrative.
7. **Other Legislation** lists and discusses legislation having a fiscal impact on the agency.
8. **Executive Budget Comparison** is a table and related discussion that compares the proposed executive budget (as published by the Schweitzer administration on January 7) and final legislative action, and highlights the major differences.
9. **Reorganizations** details any major reorganization that took place in the 2007 biennium or is reflected in the 2009 biennium.
10. **Language** includes any agency-wide language adopted by the legislature.

Note: The main and executive budget comparison tables, the agency description and summary of legislative action, and the highlights and funding tables are included in each agency narrative. However, the other components are included only if circumstances warrant.

Program Narrative

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including the adjusted fiscal 2006 base used to derive the budget, the total present law adjustments, new proposals, and the total budget, by fiscal year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst.
5. **Funding** details program funding, including a brief description of the various types of funding used to support the program.
6. **Program Reorganization** details any program reorganizations that took place in the 2007 biennium or that were adopted by the legislature for the 2009 biennium.
7. The **Present Law Adjustments Table** delineates the major present law adjustments adopted by the legislature, by fiscal year and funding source. The table is divided into two sections:
 - o Statewide present law adjustments, which include most personal services adjustments, the vacancy savings applied, and adjustments due to fixed costs and inflation
 - o Other present law adjustments adopted by the legislature
8. **Executive Present Law Adjustments** discusses each adjustment in more detail.
9. The **New Proposals Table** shows each new proposal adopted by the legislature, by fiscal year and funding source.
10. **New Proposals** discusses each new proposal in more detail.

11. **Other Legislation** lists any legislation passed by the legislature of particular pertinence to the program.
12. **Language** recreates any program specific language adopted by the legislature.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate.

STATEWIDE PRESENT LAW ADJUSTMENTS

“Statewide Present Law Adjustments” are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. There are four main categories of adjustments: 1) personal services; 2) vacancy savings; 3) inflation/deflation; and 4) fixed costs.

Personal Services

Taking a “snapshot” of state employee positions and the factors determining compensation rates at a particular point in time derives budgeted personal services costs. A number of underlying factors will make the 2007 biennium personal services costs different from actual fiscal 2006 costs. The most important are:

- Incorporation of the 2007 biennium pay plan adopted by the 2005 Legislature (the 2009 biennium pay plan is added in a new proposal)
- Other salary adjustments that took place and are not fully incorporated into the base FY 2006 expenditure
- Full funding of all positions
- Elimination of all termination pay that may have been incurred in FY 2006
- Incorporation of any upgrades or downgrades that occurred in FY 2006

In addition, some present law increases or decreases in FTE made by the previous legislature may be included in this portion of the table.

Vacancy Savings

The legislature adopted a 4 percent vacancy savings rate on all salaries and benefits, including insurance, for most positions. Exempted positions include university system faculty, and those in agencies with fewer than 20 full-time equivalent positions, the Public Service Commission, the Judiciary, and the Legislative Branch. In addition, game wardens in the Department of Fish, Wildlife, and Parks, 24/7 positions in the Department of Corrections, and highway patrol officers were also exempted.

Inflation/Deflation

The legislature inflated or deflated certain operating expenses. A complete listing of expenditure categories inflated or deflated has been included in the “General Reference” section of Volume 1.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations are made through a change to the service agency budget, or to the allocation method used by the service agency. A complete listing of all fixed costs is included in the "Reference" section of Volume 1.

AGENCY BUDGET HIGHLIGHTS

The following summarizes the main budget highlights of the 2009 biennium budget. Please note that the following discussion pertains to HB 2 and HB 13 (pay plan bill) expenditures only.

As shown, the legislature adopted a general fund budget of \$3.3 billion, a \$651.1 million increase (24.9 percent) over the 2007 biennium, and a total funds budget of \$6.9 billion, \$1.1 billion increase (15.8 percent).

Legislative Budget by Program Area 2007 to 2009 Biennia				
--- General Fund ---				
Area	2009 Biennium	Increase Over 2007	Percent Increase	Percent of Total
K-12 Education	\$1,324,681,609	\$180,473,428	15.8%	27.7%
Higher Education	365,637,359	59,952,956	19.6%	9.2%
Corrections	346,234,174	105,613,152	43.9%	16.2%
Public Health	787,195,202	168,510,378	27.2%	25.9%
All Other	445,109,148	136,538,898	44.2%	21.0%
Total	\$3,268,857,492	\$651,088,812	24.9%	---
--- Total Funds ---				
Area	2009 Biennium	Increase Over 2007	Percent Increase	Percent of Total
K-12 Education	\$1,637,121,549	\$192,457,626	13.3%	17.7%
Higher Education	528,418,158	101,841,033	23.9%	9.4%
Corrections	355,222,973	107,686,925	43.5%	9.9%
Public Health	3,112,341,348	452,585,169	17.0%	41.7%
All Other	2,318,996,023	231,633,638	11.1%	21.3%
Total	\$6,865,895,660	\$1,086,204,391	15.8%	---

PRIMARY BUDGET FACTORS

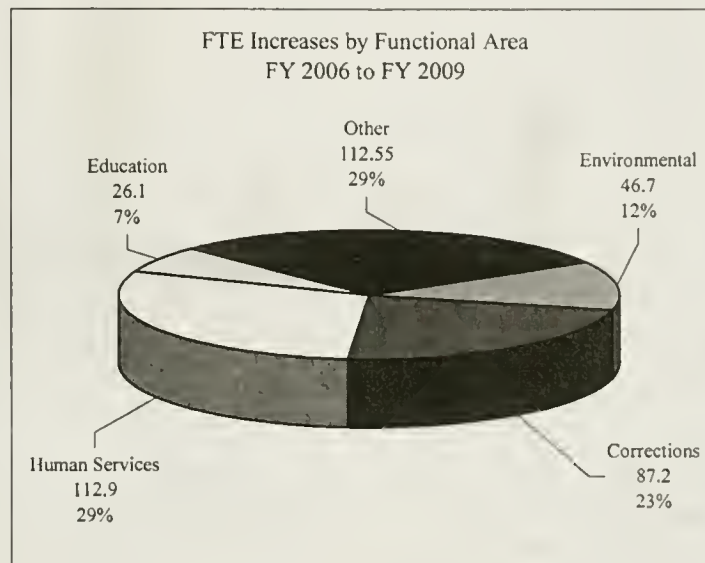
The following summarizes the primary factors causing the change in funding:

- Major causes of the \$651.1 million increase in general fund include the following. However, please note that general fund increases are significant not only in size, but in breadth – the smallest percentage increase is 6.4 percent in the Judiciary, with most agencies receiving an increase well in excess of 20 percent:
 - Human services caseload and service changes, and an increase in the percentage of Medicaid costs the state must pay
 - An increase in the percentage of general fund provided for operating costs in the Montana University System, as well as increased student financial assistance, community and Tribal college assistance, and equipment in the Montana University System
 - Expansions in the number of beds and payments to providers, as well as additional probation and parole officers, to address correctional population growth
 - Annualization of 2005 special session adjustments in K-12 education, as well as implementation of full-time kindergarten, property tax relief, quality educator payments, and school facilities
 - An expansion in the Department of Revenue for various increased tax compliance measures

- Annualization of costs for the new Office of the Public Defender, including caseload increases
- Statewide present law adjustments
- Total funds would increase by \$1.1 billion, or 15.8 percent. Increases for human services are over 41 percent of this increase, due primarily to
 - Increases in Medicaid caseload and services
 - Continued use of various provider assessments (i.e. hospital tax) to increase federal funds
 - Additional food stamp costs and TANF activities
 - Full funding of all anticipated federal transportation funds

FTE

An additional 385.58 FTE were added in FY 2009 over the FY 2006 level appropriated for by the 2005 Legislature. The following shows the allocation of the increase.



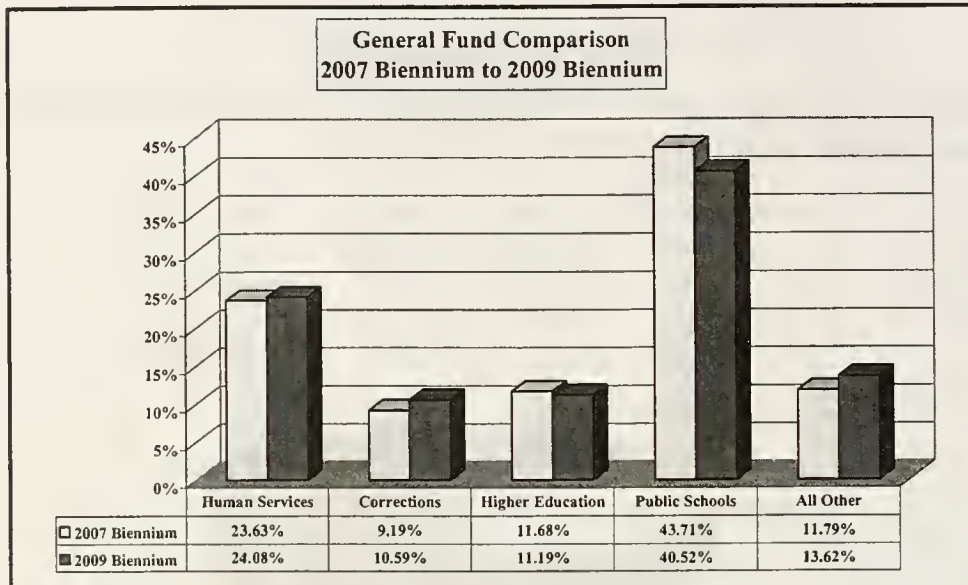
The increase in FTE is due primarily to:

- Largest net increase in FTE
 - Department of Public Health and Human Services – The increase is due primarily to two factors: 1) the maintenance of staff added during the interim due to population issues at Montana State Hospital; and 2) provision of additional field case workers (social workers)
 - Department of Revenue – The legislature added FTE for enhanced tax compliance, liquor system reform, workload, property reappraisal, and collection of out-of-state debt. It is anticipated that the department will also hire a number of modified FTE for other initiatives.
 - Department of Corrections – The legislature added 36 additional probation and parole officers in FY 2009, IT staff and school to work functions at the juvenile facilities, and staff to take over inmate transportation from a contracted firm
 - Without the impact of the movement of county attorney positions to a statutory appropriation, the Department of Justice would increase by 25.50 FTE for additional legal staff, investigators in the Gambling Control Division, highway patrol dispatchers, and miscellaneous other positions, including scientists at the forensics laboratory.
- Largest percentage increase in FTE

- Department of Commerce – The legislature expanded several economic development programs begun or maintained by the 2005 Legislature
- Office of Public Instruction – FTE were added for curriculum specialists and continuance of data management, and due to increased federal grants

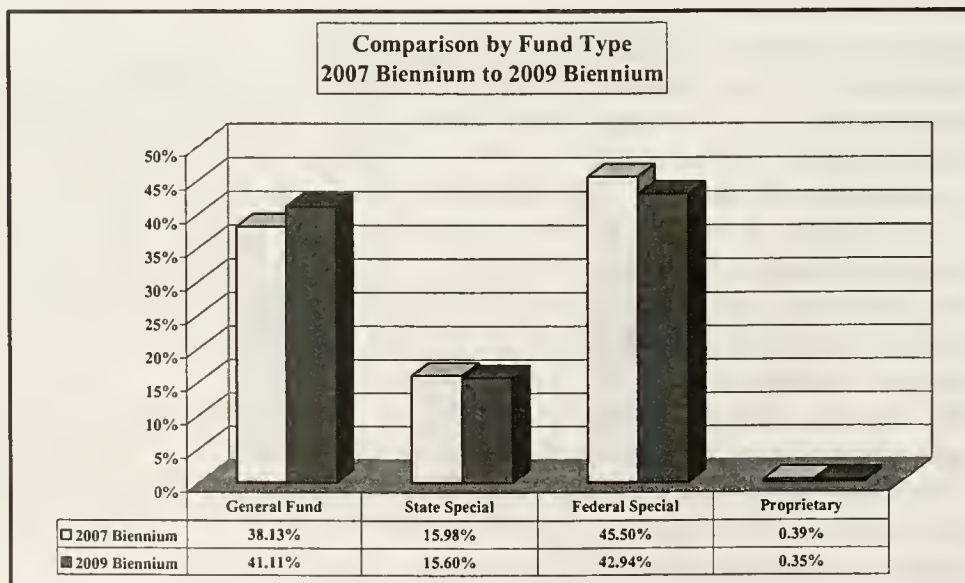
COMPARISON OF PROGRAM AREAS

The following figure shows the allocation of general fund by program area for the 2009 biennium compared to the 2007 biennium.



SOURCE OF FUNDING

The following figure illustrates that, continuing a reversal of a trend for a number of years that was started in the 2007 biennium, general fund is a slightly higher share of total funding due to an increase of almost 25 percent compared to an increase in federal funds of 9.3 percent.



House Bill 2



Stricken language in this bill indicates a Governor's line-item veto.



AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE BIENNIUM ENDING JUNE 30, 2009; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Short title. [This act] may be cited as "The General Appropriations Act of 2007".

Section 2. First level expenditures. The agency and program appropriation tables in the legislative fiscal analyst narrative accompanying this bill, showing first level expenditures and funding for the 2009 biennium, are adopted as legislative intent.

Section 3. Severability. If any section, subsection, sentence, clause, or phrase of [this act] is for any reason held unconstitutional, the decision does not affect the validity of the remaining portions of [this act].

Section 4. Appropriation control. An appropriation item designated "Biennial" may be spent in either year of the biennium. An appropriation item designated "Restricted" may be used during the biennium only for the purpose designated by its title and as presented to the legislature. An appropriation item designated "One Time Only" or "OTO" may not be included in the present law base for the 2011 biennium. The office of budget and program planning shall establish a separate appropriation on the statewide accounting, budgeting, and human resource system for any item designated "Biennial", "Restricted", "One Time Only", or "OTO". The office of budget and program planning shall establish at least one appropriation on the statewide accounting, budgeting, and human resource system for any appropriation that appears as a separate line item in [this act].

Section 5. Program definition. As used in [this act], "program" has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure established on the statewide accounting, budgeting, and human resource system, and is identified as a major subdivision of an agency ordinarily numbered with an Arabic numeral.

Section 6. Personal services funding – 2011 biennium. (1) Except as provided in subsection (2), present law and new proposal funding budget requests for the 2011 biennium submitted under Title 17, chapter 7, part 1, by each executive, judicial, and legislative branch agency must include funding of first level personal services separate from funding of other expenditures. The funding of first level personal services by accounting entity or equivalent for each fiscal year must be shown at the fourth reporting level or equivalent in the budget request

for the 2011 biennium submitted by October 30 to the legislative fiscal analyst by the office of budget and program planning.

(2) The provisions of subsection (1) do not apply to the Montana university system.

Section 7. Totals not appropriations. The totals shown in [this act] are for informational purposes only and are not appropriations.

Section 8. Effective date. [This act] is effective July 1, 2007.

Section 9. Appropriations. The following money is appropriated for the respective fiscal years:

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
A. GENERAL GOVERNMENT AND TRANSPORTATION								
LEGISLATIVE BRANCH (1104)								
1. Legislative Services (20) (Biennial)	5,425,156	864,666	0	0	6,289,822	5,696,835	337,059	0
a. Technology Allowance for Legislators (Biennial)								0
75,000	0	0	0	0	75,000	0	0	0
b. TVMT (Restricted/Biennial/OTO)								0
200,000	0	0	0	0	200,000	0	0	0
2. Legislative Committees and Activities (21) (Biennial)								0
a. Interim Study on Mental Health (Biennial/OTO)	610,825	0	0	0	610,825	383,648	0	0
200,000	0	0	0	0	200,000	0	0	0
3. Fiscal Analysis and Review (27) (Biennial)								0
a. Government Performance Training (Restricted/Biennial/OTO)	1,461,210	0	0	0	1,461,210	1,506,824	0	0
18,900	0	0	0	0	18,900	0	0	0
4. Audit and Examination (28) (Biennial)								0
2,169,731	1,650,570	0	0	0	3,820,301	2,249,562	1,579,822	0
Total	10,160,822	2,515,236	0	0	12,676,058	9,836,869	1,916,881	0
CONSUMER COUNSEL (1112)								
1. Administration Program (01)								0
a. Contingency Reserve (Restricted)	0	1,236,461	0	0	1,236,461	0	1,250,977	0

	Fiscal 2008				Fiscal 2009							
	General Fund	Slate Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	Slate Special Revenue	Federal Special Revenue	Proprietary	Other	Total
Total	0	250,000	0	0	0	250,000	0	250,000	0	0	0	250,000
<hr/>												
Total												
<hr/>												
JUDICIARY (2110)												
1. Supreme Court Operations (01)												
7,792,574	110,042	125,380	0	0	0	8,027,996	7,902,444	110,042	125,879	0	0	8,138,365
a. Legislative Audit (Restricted/Biennial)												
44,288	0	0	0	0	0	44,288	0	0	0	0	0	0
b. Drug Treatment Courts (Restricted/Biennial)												
597,500	0	0	0	0	0	597,500	747,500	0	0	0	0	747,500
c. Report on Progress Toward Measurable Goals and Objectives (Restricted/OTO)												
2,500	0	0	0	0	0	2,500	2,500	0	0	0	0	2,500
d. Self-Help Law Program (Restricted/Biennial/OTO)												
252,500	0	0	0	0	0	252,500	252,500	0	0	0	0	252,500
2. Boards and Commissions (02)												
254,673	25,006	0	0	0	0	279,679	255,080	25,006	0	0	0	280,086
a. Judicial Standards (Restricted/Biennial)												
25,000	0	0	0	0	0	25,000	0	0	0	0	0	0
3. Law Library (03)												
846,721	0	0	0	0	0	846,721	870,328	0	0	0	0	870,328
4. District Court Operations (04)												
22,917,999	253,447	0	0	0	0	23,171,446	23,052,167	253,447	0	0	0	23,305,614
a. District Court Safety and Security (OTO)												
300,000	0	0	0	0	0	300,000	0	0	0	0	0	0

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
5.	Water Courts Supervision (05)											
	0	1,383,541	0	0	0	1,383,541	0	1,386,782	0	0	0	1,386,782
6.	Clerk of Court (06)											
	417,922	0	0	0	0	417,922	419,705	0	0	0	0	419,705
Total	33,451,677	1,772,036	125,380	0	0	35,349,093	33,502,224	1,775,277	125,879	0	0	35,403,380

Funds in Drug Treatment Courts may be used only to provide grants to drug treatment courts and for up to one full-time administrator, ongoing review of the operations of drug treatment courts, and the development of policies necessary to administer the provision of grants to drug treatment courts. Funding includes \$2,500 a year for the preparation of reports to the legislative finance committee on the program's measurable goals and objectives and achievement of those goals and objectives. If reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 appropriation is reduced by \$2,500.

Report on Progress Toward Measurable Goals and Objectives is funding for a semiannual report to the legislative finance committee of the following:

- (1) progress toward the goals presented to the 2007 legislature in the agency's template; and
- (2) attainment of measurable objectives as outlined in the agency's template presented to the 2007 legislature.

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 appropriation is void.

Funds in Self-Help Law Program may be used only to provide and support the development, maintenance, and availability of self-help legal forms and instructions regarding civil legal proceedings in Montana's courts; the development of curriculum and materials suitable for classes and clinics about civil legal proceedings and forms; the development, updating, and provision of information and training materials for judges, clerks of court, other court officers, judicial branch employees, and volunteers about self-help legal resources and how to assist self-represented litigants in a manner that is impartial, facilitates effective and efficient court operations, and does not constitute providing direct legal representation; the establishment and maintenance of multimedia materials that provide information about Montana's civil laws, courts, rules, legal forms, and available legal resources; coordination, recruitment, and training of volunteer attorneys to provide legal advice and direct legal representation to persons with civil legal needs who are unable to pay for those services; and coordination and cooperation with other access to justice efforts.

GOVERNOR'S OFFICE (3101)

1. Executive Office Program (01)	2,188,748	0	0	0	0	2,188,748	2,201,741	0	0	0	2,201,741
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	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
a. Marketing Montana and Business Recruitment (Biennial)								
300,000	0	0	0	0	300,000	0	0	0
300,000								
b. Agency's Goals and Objectives Reporting (Restricted)								
2,500	0	0	0	0	2,500	0	0	0
2,500								
2. Executive Residence Operations (02)								
94,461	0	0	0	0	94,461	0	0	0
95,191								
a. Reauthorize Governor's Residence (OTO)								
25,000	0	0	0	0	25,000	0	0	0
25,000								
3. Air Transportation Program (03)								
289,072	6,800	0	0	0	289,557	6,800	0	0
296,357								
a. Aircraft Engine Purchase (Restricted/OTO)								
0	0	0	0	0	630,000	0	0	0
630,000								
4. Office of Budget and Program Planning (04)								
1,525,167	0	0	0	0	1,525,167	0	0	0
1,546,586								
a. Legislative Audit (Restricted/Biennial)								
15,817	0	0	0	0	15,817	0	0	0
0								
5. Indian Affairs (05)								
152,006	0	0	0	0	152,528	0	0	0
152,528								
6. Centralized Services (06)								
269,271	0	0	0	0	269,271	0	0	0
270,148								
a. Legislative Audit (Restricted/Biennial)								
34,798	0	0	0	0	34,798	0	0	0
0								
b. Computer Replacement (Restricted/OTO)								
17,100	0	0	0	0	17,100	0	0	0
35,800								
7. Lieutenant Governor (12)								

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
8.	322,088	0	0	0	0	322,088	323,579	0	0	0	0	323,579
	Citizens' Advocate Office (16)											
	68,675	21,000	0	0	0	89,675	68,844	21,000	0	0	0	89,844
9.												
	Mental Disabilities Board of Visitors (20)											
	352,452	0	0	0	0	352,452	354,074	0	0	0	0	354,074
Total												
	5,657,155	27,800	0	0	0	5,684,955	6,295,548	27,800	0	0	0	6,323,348

Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to:

(1) progress from July 1, 2007, through May 1, 2008, toward the goals of creating 1,460 new jobs over the 2009 biennium, 12 out-of-state visitations each year, 2 overseas visits each year, and creating 3 Montana ambassador satellite units each year through the marketing Montana and business recruitment program;

(2) progress from July 1, 2007, through May 1, 2008, toward the goal of achieving 30% more businesses operating in Montana in each of the cluster areas, including life sciences, information technology, creative enterprise, aerospace, agri-food, and wood-based products, through the office of economic development;

(3) progress from July 1, 2007, through May 1, 2008, toward the goals of meeting once each month with each of the seven recognized tribal governments in Montana, identifying issues for legislative consideration in the 2009 session, such as unemployment and dropout rates for Native Americans, and endeavoring to resolve the class III gaming dispute with affected tribal governments by June 30, 2009, through the coordinator of Indian affairs.

If the reports are not received by the legislative finance committee by June 30, 2008, the fiscal year 2009 appropriation is void.

SECRETARY OF STATE (3201)

1. Business and Government Services (01)

a. Help America Vote Act (Restricted/Biennial/OTO)

0	0	1,040,000	0	0	0	1,040,000	0	0	0	0	0	0
Total	0	0	1,040,000	0	0	1,040,000	0	0	0	0	0	0

COMMISSIONER OF POLITICAL PRACTICES (3202)

0	0	1,040,000	0	0	0	1,040,000	0	0	0	0	0	0
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	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
1. Administration (01)												
341,548	0	0	0	0	0	341,548	343,411	0	0	0	0	343,411
a. Legislative Audit (Restricted/Biennial)												
6,960	0	0	0	0	0	6,960	0	0	0	0	0	0
b. Online Lobbyist and Candidate Registration and Filing (Restricted/Biennial/OTO)												
123,338	0	0	0	0	0	123,338	46,575	0	0	0	0	46,575
c. Campaign Violation Investigator Reporting (Restricted)												
58,852	0	0	0	0	0	58,852	59,199	0	0	0	0	59,199
d. Additional Legal Costs (OTO)												
77,500	0	0	0	0	0	77,500	77,500	0	0	0	0	77,500
e. Constituent Services Account												
5,300	0	0	0	0	0	5,300	21,000	0	0	0	0	21,000
f. Broadcast Campaign Advertising Material and Affidavit												
4,400	0	0	0	0	0	4,400	0	0	0	0	0	0
Total												

Online Lobbyist and Candidate Registration and Filing includes \$400 in general fund money in each fiscal year for an annual report to the legislative finance committee for the following:

(1) progress toward the goals of easy-to-use electronic filing for candidates, committees, lobbyists, and principals, providing a convenient method for the public to access this data, and reduction of errors in the reports filed with the commissioner of political practices from July 1, 2007, through May 1, 2008; and

(2) attainment of the performance criteria as outlined in the project charter and timeline presented to the joint appropriations subcommittee on general government and transportation from July 1, 2007, through May 1, 2008.

If the report is not received by the legislative finance committee by June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$400.

Constituent Services Account funding is contingent upon passage and approval of House Bill No. 462 of the 2007 regular session.

OFFICE OF THE STATE AUDITOR (3401)

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
1.	Central Management (01)											
	0	636,773	0	0	0	636,773	0	640,132	0	0	0	640,132
a.	Legislative Audit (Restricted/Biennial)											
	0	6,580	0	0	0	6,580	0	0	0	0	0	0
b.	Agency's Goals and Objectives Reporting (Restricted)											
	2,500	0	0	0	0	2,500	2,500	0	0	0	0	2,500
2.	Insurance Program (03)											
	0	3,241,591	0	0	0	3,241,591	0	3,258,747	0	0	0	3,258,747
a.	Legislative Audit (Restricted/Biennial)											
	0	27,553	0	0	0	27,553	0	0	0	0	0	0
b.	Insurance Contract Examinations (Restricted)											
	0	334,995	0	0	0	334,995	0	357,330	0	0	0	357,330
c.	Insure Montana (Reporting)											
	0	10,921,329	0	0	0	10,921,329	0	10,924,619	0	0	0	10,924,619
d.	Captive Insurance Program (Restricted)											
	0	60,300	0	0	0	60,300	0	56,940	0	0	0	56,940
e.	MCHA (Restricted)											
	0	824,173	0	0	0	824,173	0	925,614	0	0	0	925,614
3.	Securities (04)											
	0	725,683	0	0	0	725,683	0	729,037	0	0	0	729,037
a.	Legislative Audit (Restricted/Biennial)											
	0	6,991	0	0	0	6,991	0	0	0	0	0	0
b.	Securities Contract Examinations (Restricted)											
	0	80,000	0	0	0	80,000	0	80,500	0	0	0	80,500

<u>Fiscal 2008</u>					<u>Fiscal 2009</u>				
State		Federal			State		Federal		
General	Special	Special	Special	Propri-	General	Special	Special	Special	Propri-
Fund	Revenue	Revenue	Revenue	etary	Fund	Revenue	Revenue	Revenue	etary
					Total				
				Other				Other	Total

Total

2,500 16,865,968 0 0 0 16,868,468 2,500 16,972,919 0 0 16,975,419

Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 5. The report must address the following:

(1) progress toward the goals; and

(2) measurable objectives that will be used to measure the goals.

If the reports are not received by the legislative finance committee by August 15, 2007, and June 30, 2008, the fiscal year 2009 appropriation is void.

Captive Insurance Program funding may be used only when the number of captive insurance companies registered with the office of the state auditor reaches 30.

DEPARTMENT OF TRANSPORTATION (5401)

1. General Operations Program (01) (Biennial)

0 21,586,371 1,595,405 0 0 23,181,776 0 22,354,124 1,595,442 0 23,949,566

a. Legislative Audit (Restricted/Biennial)

0 145,517 0 0 0 145,517 0 0 0 0 0

b. Software Upgrade (OTO)

0 51,000 0 0 0 51,000 0 0 0 0 0

c. Surface Transportation Litigation (Restricted/Biennial/OTO)

3,000,000 0 0 0 0 3,000,000 0 0 0 0 0

d. ACS Contract (Restricted)

0 234,449 0 0 0 234,449 0 256,151 0 0 256,151

e. Agency's Goals and Objectives Reporting (Restricted)

2,500 0 0 0 0 2,500 2,500 0 0 0 2,500

2. Construction Program (02) (Biennial)

0 88,609,834 271,116,523 0 0 359,726,357 0 83,112,488 278,076,978 0 361,189,466

3. Maintenance Program (03) (Biennial)

Fiscal 2008					Fiscal 2009					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	100,141,928	7,342,830	0	107,484,758	0	99,899,592	7,342,830	0	107,242,422
a.	House Bill No. 531 (OTO)									
	0	25,342	0	0	25,342	0	0	0	0	0
4.	Motor Carrier Services Division (22)									
	0	6,763,340	1,661,058	0	8,424,398	0	6,781,670	2,641,182	0	9,422,852
a.	House Bill No. 556 (Biennial/OTO)									
	0	20,000	0	0	20,000	0	0	0	0	0
5.	Aeronautics Program (40)									
	0	1,120,988	1,706,951	0	2,827,939	0	877,685	34,229	0	911,914
a.	Aeronautics Grants (Biennial)									
	0	800,000	0	0	800,000	0	0	0	0	0
b.	Airport Pavement Preservation (Biennial)									
	0	250,000	0	0	250,000	0	0	0	0	0
c.	Lincoln Airport Development (Biennial)									
	0	14,994	300,006	0	315,000	0	0	0	0	0
d.	Airport/Aeronautics Loans (Biennial)									
	0	400,000	0	0	400,000	0	400,000	0	0	400,000
6.	Transportation Planning Division (50) (Biennial)									
	0	6,699,712	19,518,868	0	26,218,580	0	6,948,872	19,997,462	0	26,946,334
a.	Highway Traffic Safety Section 408 (OTO)									
	0	208,040	791,673	0	999,713	0	208,055	791,728	0	999,783
Total	3,002,500	227,071,515	304,033,314	0	534,107,329	2,500	220,838,637	310,479,851	0	531,320,988

~~Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objectives presented to the appropriations~~

<u>Fiscal 2008</u>					<u>Fiscal 2009</u>				
State		Federal		<u>Other</u>	State		Federal		<u>Other</u>
General	Special	Special	Special		General	Special	Special	Special	
<u>Fund</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>		<u>Fund</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	
			<u>Proprietary</u>	<u>Total</u>				<u>Proprietary</u>	<u>Total</u>

subcommittee on general government and transportation of the 2007 legislature in the agency's and programs templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 1503 and new proposal decision packages 2204, 5001, and 5004. The report must address the following:

(1) progress toward the goals; and

(2) attainment of measurable objectives;

If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void.

The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program.

All federal special revenue appropriations in the department are biennial.

All state special revenue appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions, for the 2007 biennium are authorized to continue and are appropriated in fiscal year 2008 and fiscal year 2009.

DEPARTMENT OF REVENUE (5801)

1. Director's Office (01)

4,652,529	85,287	200	143,435	0	4,881,451	4,396,278	81,486	0	139,611	0	4,617,375
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a. Legislative Audit (Restricted/Biennial)

182,878	0	600	0	0	183,478	0	0	0	0	0	0
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b. Compliance -- Legal (OTO)

23,550	0	0	0	0	23,550	0	0	0	0	0	0
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c. Fulfill Statutory Responsibilities (OTO)

300,000	0	0	0	0	300,000	0	0	0	0	0	0
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d. House Bill No. 680

136,245	0	0	0	0	136,245	136,372	0	0	0	0	136,372
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e. House Bill No. 680 One-Time Costs (OTO)

7,850	0	0	0	0	7,850	0	0	0	0	0	0
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2. Information Technology and Processing (02)

		Fiscal 2008				Fiscal 2009					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
11,749,483	229,522	132,000	95,621	0	12,206,626	11,825,747	231,295	132,000	95,621	0	12,284,663
a.	Senate Bill No. 439										
6,085	0	0	0	0	6,085	3,585	0	0	0	0	3,585
b.	Senate Bill No. 439 One-Time Costs (OTO)										
300,000	0	0	0	0	300,000	0	0	0	0	0	0
c.	Tax Administration (OTO)										
2,000,000	0	0	0	0	2,000,000	2,000,000	0	0	0	0	2,000,000
3.	Liquor Control Division (03)										
0	0	0	1,776,746	0	1,776,746	0	0	0	1,779,709	0	1,779,709
a.	Liquor System Reforms										
0	0	0	100,040	0	100,040	0	0	0	87,361	0	87,361
b.	Senate Bill No. 296										
0	0	0	34,436	0	34,436	0	0	0	28,384	0	28,384
4.	Citizen Services and Resource Management (05)										
1,685,667	106,785	0	44,133	0	1,836,585	1,690,615	108,585	0	44,133	0	1,843,333
a.	Citizen Services (Restricted)										
121,380	0	0	0	0	121,380	121,380	0	0	0	0	121,380
5.	Business and Income Taxes Division (07)										
9,608,750	399,871	272,017	0	0	10,280,638	9,702,219	395,458	272,017	0	0	10,369,694
a.	House Bill No. 680										
38,951	0	0	0	0	38,951	38,982	0	0	0	0	38,982
b.	House Bill No. 680 One-Time Costs (OTO)										
3,925	0	0	0	0	3,925	0	0	0	0	0	0
c.	Senate Bill No. 439										
125,245	0	0	0	0	125,245	126,141	0	0	0	0	126,141

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
d.	Senate Bill No. 439 One-Time Costs (OTO)											
11,800	0	0	0	0	0	11,800	0	0	0	0	0	0
6.	Property Assessment Division (08)											
18,061,932	50,000	0	0	0	0	18,111,932	18,175,259	50,000	0	0	0	18,225,259
a.	Maintain Parcel Count Caseload (OTO)											
52,333	0	0	0	0	0	52,333	0	0	0	0	0	0
b.	Reappraisal GIS Staff (OTO)											
210,280	0	0	0	0	0	210,280	104,250	0	0	0	0	104,250
Total												

Fulfill Statutory Responsibilities includes funding for a report to the legislative finance committee relevant to goals and objectives presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision packages 201, 701, 802, 1011, 7013, 7019, and 8012 and new proposal decision package 301. The report must address the following:

(1) progress toward the goals; and

(2) attainment of measurable objectives.

If the report is not received by June 30, 2008, Fulfill Statutory Responsibilities is reduced by \$5,000 in general fund money in fiscal year 2009.

If Senate Bill No. 439 of the 2007 regular session is not passed and approved, Senate Bill No. 439 and Senate Bill No. 439 One-Time Costs are void.

Liquor System Reforms is contingent upon passage and approval of Senate Bill No. 127 of the 2007 regular session.

Liquor control division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in amounts not to exceed \$103 million in fiscal year 2008 and \$112 million in fiscal year 2009.

If the department is unable to meet statutory service levels because of the increase in demand for liquor products, the department may hire additional temporary employees or pay overtime, whichever is determined to be the most cost-effective, to maintain required service levels to stores. In fiscal year 2008 and in fiscal year 2009, the department is appropriated not more than \$40,000 each year for additional costs from the liquor enterprise fund (06005) to meet the service level requirements.

In the liquor division, upon a termination that requires a payout of accrued leave balances, liquor control division proprietary funds are appropriated from the liquor enterprise fund

	Fiscal 2008					Fiscal 2009					
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
(06005) to the department in the amount equal to the payout of the accrued leave balances, not to exceed \$40,000 for each of fiscal years 2008 and 2009.											
DEPARTMENT OF ADMINISTRATION (6101)											
1.	Governor-Elect Program (02)										
	0	0	0	0	0	50,000	0	0	0	0	50,000
2.	Administrative Financial Services Division (03)										
	1,676,909	1,587	87,293	49,620	0	1,815,409	1,587	87,333	49,669	0	1,824,307
a.	Legislative Audit (Restricted/Biennial)										
	41,676	0	0	0	0	41,676	0	0	0	0	0
b.	Laptop Computer Replacement (OTO)										
	10,000	0	0	0	0	10,000	0	0	0	0	0
c.	SABHRS Licensing Costs (OTO)										
	800,000	0	0	0	0	800,000	0	0	0	0	0
d.	Agency's Goals and Objectives Reporting (Restricted)										
	2,500	0	0	0	0	2,500	0	0	0	0	2,500
3.	Architecture and Engineering Program (04)										
	0	1,701,735	0	0	0	1,701,735	0	1,711,729	0	0	1,711,729
a.	Legislative Audit (Restricted/Biennial)										
	0	1,500	0	0	0	1,500	0	0	0	0	0
4.	General Services Program (06)										
	2,462,688	66,794	0	0	0	2,529,482	66,925	0	0	0	2,624,841
a.	Senate Bill No. 4										
	0	29,978	0	0	0	29,978	0	30,009	0	0	30,009
5.	Information Technology Services Division (07)										
	643,375	1,383,562	0	0	0	2,026,937	1,379,403	0	0	0	2,021,619
a.	Geographic Coordinate Database (Biennial)										

		Fiscal 2008					Fiscal 2009						
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
		0	0	800,000	0	0	800,000	0	0	0	0	0	0
b.	Supercomputer Center Study (Biennial/OTO)												
		275,000	0	0	0	0	275,000	0	0	0	0	0	0
c.	House Bill No. 27												
		82,222	0	0	0	0	82,222	79,447	0	0	0	0	79,447
6.	Banking and Financial Division (14)												
		0	3,237,384	0	0	0	3,237,384	0	3,309,917	0	0	0	3,309,917
a.	Legislative Audit (Restricted/Biennial)												
		0	3,297	0	0	0	3,297	0	0	0	0	0	0
b.	License Mortgage Lenders												
		0	202,885	0	0	0	202,885	0	271,137	0	0	0	271,137
7.	Montana State Lottery (15)												
		0	0	0	7,472,170	0	7,472,170	0	0	0	7,483,259	0	7,483,259
a.	Legislative Audit (Restricted/Biennial)												
		0	0	0	102,223	0	102,223	0	0	0	0	0	0
8.	Health Care and Benefits Division (21)												
		0	41,349	0	0	0	41,349	0	43,115	0	0	0	43,115
a.	Workers' Compensation Cost Containment (Restricted/OTO)												
		387,690	0	0	0	0	387,690	379,679	0	0	0	0	379,679
9.	State Personnel Division (23)												
		1,024,538	0	0	0	0	1,024,538	1,030,802	0	0	0	0	1,030,802
10.	State Tax Appeal Board (37)												
		393,386	0	0	0	0	393,386	395,839	0	0	0	0	395,839
Total													

	Fiscal 2008				Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	7,799,984	6,670,071	887,293	7,624,013	0	22,981,361	6,813,822	87,333	7,532,928	0	21,258,200
Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objectives presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates. The report must address the following:											
(1) progress toward the goals; and											
(2) attainment of measurable objectives:											
If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void.											
If Senate Bill No. 4 of the 2007 regular session is not passed and approved, Senate Bill No. 4 is void.											
The department is appropriated up to \$500,000 of state special revenue each year of the biennium to assist agencies in reducing workers' compensation injuries and costs. These funds may not be expended for activities that duplicate other agency expenditures or programs.											
MONTANA CONSENSUS COUNCIL (6106)											
1.	Montana Consensus Council (01)	75,632	116,071	0	0	191,703	76,507	116,646	0	0	193,153
a.	Legislative Audit (Restricted/Biennial)	0	376	0	0	376	0	0	0	0	0
b.	Agency's Goals and Objectives Reporting (Restricted)	2,500	0	0	0	2,500	2,500	0	0	0	2,500

Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objectives presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's template. The report must address the following:

(1) progress toward the goals; and

(2) attainment of measurable objectives:

~~If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void.~~

OFFICE OF STATE PUBLIC DEFENDER (6108)

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
1.	Office of State Public Defender (01)											
	18,121,225	75,000	0	0	0	18,196,225	18,023,670	75,000	0	0	0	18,098,670
	a. SB 547 – Sexual Offender Caseload											
	45,600	0	0	0	0	45,600	45,600	0	0	0	0	45,600
	b. SB 104 – Extend Statute of Limitations Certain Sex Crimes Caseload											
	141,000	0	0	0	0	141,000	141,000	0	0	0	0	141,000
	c. HB 629 – Mediation for Criminal Proceedings											
	30,000	0	0	0	0	30,000	30,000	0	0	0	0	30,000
	d. Caseload Transition (Restricted/Biennial/OTO)											
	500,000	0	0	0	0	500,000	500,000	0	0	0	0	500,000
2.	Office of Appellate Defender (02)											
	574,400	0	0	0	0	574,400	575,454	0	0	0	0	575,454
Total												
	19,412,225	75,000	0	0	0	19,487,225	19,315,724	75,000	0	0	0	19,390,724
TOTAL SECTION A												
	129,461,776	257,471,999	306,490,804	9,818,424	0	703,243,003	124,727,002	250,904,783	311,097,080	9,707,747	0	696,436,612

	Fiscal 2008			Fiscal 2009		
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
						Proprietary
				Total	Other	Total

B. HEALTH AND HUMAN SERVICES

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES (6901)

1. Human and Community Services Division (02)

27,471,115	1,396,131	190,961,616	0	0	219,828,862	27,533,235	1,400,969	200,229,161	0	0	229,163,365
a.	Energy Assistance/Conservation (Biennial/OTO)										
0	0	1,600,000	0	0	1,600,000	0	0	0	0	0	0
b.	Tri-State Housing Grant (Biennial)										
0	0	966,000	0	0	966,000	0	0	0	0	0	0
c.	Child Care for Working Caretaker Relative (Restricted/OTO)										
0	0	683,784	0	0	683,784	0	0	683,784	0	0	683,784
d.	Work Training Program (Restricted)										
0	0	504,436	0	0	504,436	0	0	504,436	0	0	504,436
e.	Human and Community Services Division/Reporting										
216,581	0	307,656	0	0	524,237	263,227	0	262,072	0	0	525,299
f.	Ombudsman Funding -- Warm Hearts/Homes (Restricted/OTO)										
300,000	0	0	0	0	300,000	300,000	0	0	0	0	300,000
g.	Low-Income Energy Assistance (Biennial/OTO)										
1,000,000	0	0	0	0	1,000,000	0	0	0	0	0	0
h.	Child Care FPI, Market Rate, Caseload										
1,741,650	0	0	0	0	1,741,650	2,428,000	0	0	0	0	2,428,000
2.	Child and Family Services Division (03)										
26,020,218	2,421,218	28,117,261	0	0	56,538,697	27,608,616	2,421,269	29,311,493	0	0	59,341,378
a.	CFSD Overtime (Restricted)										
124,021	0	82,838	0	0	206,859	124,021	0	82,838	0	0	206,859
b.	Replacement of Computers and Equipment (Restricted)										

	Fiscal 2008					Fiscal 2009				
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
52,273	0	34,848	0	0	87,121	52,273	0	34,848	0	87,121
c.	Mental Health Case Management Increase (Restricted/OTO)									
187,500	0	62,500	0	0	250,000	187,500	0	62,500	0	250,000
d.	Federal Law Change for Kin Care Providers (Restricted)									
86,000	0	0	0	0	86,000	86,000	0	0	0	86,000
e.	Additional Field Staff/Report									
447,161	0	298,107	0	0	745,268	588,433	0	392,288	0	980,721
f.	Targeted Case Management Federal Law Change (Restricted/OTO)									
1,800,000	0	0	0	0	1,800,000	1,800,000	0	0	0	1,800,000
g.	Therapeutic Group Homes/Family Foster Care (Restricted)									
300,000	0	0	0	0	300,000	300,000	0	0	0	300,000
h.	Child and Family Services/Reporting									
1,907,931	0	419,306	0	0	2,327,237	1,916,106	0	421,081	0	2,337,187
i.	Direct Care Worker Wage Increase (Restricted)									
314,937	0	134,974	0	0	449,911	314,937	0	134,974	0	449,911
j.	Provider Rate Increase (Restricted)									
199,153	0	175,956	0	0	375,109	556,300	0	368,627	0	924,927
3.	Director's Office (04)									
2,676,136	256,542	6,192,940	0	0	9,125,618	2,681,679	257,088	6,201,063	0	9,139,830
a.	Administration/Reporting									
191,881	56,701	243,859	0	0	492,441	196,820	58,160	250,137	0	505,117
b.	Health Insurance Flexibility Accountability Waiver									
0	0	15,027,480	0	0	15,027,480	0	0	15,027,554	0	15,027,554
c.	MMIS & MH Systems Analysis (Restricted/Biennial/OTO)									
200,000	0	600,000	0	0	800,000	0	0	0	0	0

		Fiscal 2008					Fiscal 2009						
		General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
4.	Child Support Enforcement Division (05)												
	1,545,664	1,602,945	4,491,239	0	0	7,639,848	1,553,250	1,606,036	3,978,142	0	0	7,137,428	
a.	Child Support Enforcement Rent Increase (Restricted)												
	37,686	0	73,156	0	0	110,842	40,879	0	79,353	0	0	120,232	
b.	Child Support Deficit Reduction Act (Restricted/OTO)												
	1,620,765	0	0	0	0	1,620,765	2,154,589	0	0	0	0	2,154,589	
c.	Child Support Enforcement DRA Fee (Restricted)												
	187,025	0	0	0	0	187,025	187,025	0	0	0	0	187,025	
d.	Child Support Enforcement/Reporting												
	158,108	124,822	549,216	0	0	832,146	158,717	125,303	551,334	0	0	835,354	
5.	Business and Financial Services Division (06)												
	2,597,297	907,864	3,338,931	0	0	6,844,092	2,577,985	906,007	3,302,130	0	0	6,786,122	
a.	Legislative Audit (Restricted/Biennial)												
	140,107	7,873	168,362	0	0	316,342	0	0	0	0	0	0	
b.	Business and Financial Services/Reporting												
	1,072,403	0	943,976	0	0	1,966,379	1,025,730	0	947,050	0	0	1,972,780	
6.	Public Health and Safety Division (07)												
	2,160,101	12,362,673	31,352,459	0	0	45,875,233	2,088,724	12,400,190	31,382,999	0	0	45,871,913	
a.	WIC IT Purchase and Modification System (Biennial/OTO)												
	290,000	0	0	0	0	290,000	0	0	0	0	0	0	
b.	Lab Equipment Replacement and Maintenance (Biennial/OTO)												
	45,000	100,000	0	0	0	145,000	45,000	100,000	0	0	0	145,000	
c.	Newborn Screening Followup Program (Restricted)												
	0	129,522	37,410	0	0	166,932	0	290,000	74,710	0	0	364,710	
d.	Tobacco Prevention Activities (Restricted)												

	General Fund	Fiscal 2008				Total	General Fund	Fiscal 2009			Other	Total
		State Special Revenue	Federal Special Revenue	Proprietary	Proprietary			State Special Revenue	Federal Special Revenue	Proprietary		
e.		0	630,000	0	0	630,000	0	630,000	0	0	0	630,000
		Division Administration/Reporting										
202,946		261,889	797,913	0	0	1,262,748	203,849	263,055	801,507	0	0	1,268,411
f.		FCSS Spending Authority for Pool Inspections										
		0	60,000	0	0	60,000	0	60,000	0	0	0	60,000
g.		Chronic Disease Program (Restricted)										
		0	2,700,000	0	0	2,700,000	0	2,700,000	0	0	0	2,700,000
h.		Public Health Emergency Preparedness										
		0	0	9,997,550	0	9,997,550	0	0	10,004,991	0	0	10,004,991
i.		Youth Suicide Prevention Program										
		0	0	400,000	0	400,000	0	0	400,000	0	0	400,000
j.		Family Planning Services (Restricted/OTO)										
536,523		0	0	0	0	536,523	536,523	0	0	0	0	536,523
k.		Genetics Program Funding										
		0	279,616	0	0	279,616	0	288,004	0	0	0	288,004
l.		Additional Genetic Program Funding (Restricted)										
		0	200,000	0	0	200,000	0	200,000	0	0	0	200,000
m.		HPV Vaccine (Restricted/OTO)										
		0	0	0	0	0	0	400,000	0	0	0	400,000
n.		Grants to County Health Boards in Counties With Proliferation of Tremolite Asbestos-Related Diseases (Restricted/Biennial/OTO)										
750,000		0	0	0	0	750,000	750,000	0	0	0	0	750,000
o.		Asbestos-Related Diseases Administration (Restricted/OTO)										
41,729		0	0	0	0	41,729	33,199	0	0	0	0	33,199
7.		Quality Assurance Division (08)										
2,177,435		99,474	5,556,277	0	0	7,833,186	2,190,938	99,985	5,578,130	0	0	7,869,053

	General Fund	Fiscal 2008				Total	General Fund	Fiscal 2009				Total
		State Special Revenue	Federal Special Revenue	Proprietary	Other			State Special Revenue	Federal Special Revenue	Proprietary	Other	
a.	Additional Lien and Estate Recovery Costs (OTO)											
	0	91,540	91,540	0	0	183,080	0	91,540	91,540	0	0	183,080
b.	Division Administration/Reporting											
141,500	35,000	0	0	0	0	176,500	141,630	35,000	0	0	0	176,630
c.	PERM (Restricted)											
115,295	0	206,863	0	0	0	322,158	136,805	0	249,156	0	0	385,961
8.	Technology Services Division (09)											
7,300,319	714,202	10,721,453	0	0	0	18,735,974	7,378,252	720,260	10,802,365	0	0	18,900,877
a.	CAPS System Facilities Management Increase (Restricted/OTO)											
61,618	0	48,414	0	0	0	110,032	61,618	0	48,414	0	0	110,032
b.	Ongoing Support for CHIMES (Restricted/Biennial/OTO)											
114,046	0	114,046	0	0	0	228,092	0	0	0	0	0	0
c.	Technology Services Division/Reporting											
47,356	0	66,107	0	0	0	113,463	47,442	0	66,228	0	0	113,670
9.	Disability Services Division (10)											
47,684,186	3,688,590	84,555,565	0	0	0	135,928,341	48,186,509	4,157,517	85,499,415	0	0	137,843,441
a.	MDC Base Adjustments (Biennial)											
440,146	0	0	0	0	0	440,146	450,299	0	0	0	0	450,299
b.	DD Crisis Funding											
120,000	0	0	0	0	0	120,000	120,000	0	0	0	0	120,000
c.	MTAP New Technologies (Restricted/Biennial)											
0	1,065,000	0	0	0	0	1,065,000	0	0	0	0	0	0
d.	Disability Services Division/Reporting											
1,518,215	0	1,880,896	0	0	0	3,399,111	1,522,962	0	1,886,777	0	0	3,409,739
e.	DD Wait List Reduction (Restricted)											

	Fiscal 2008					Fiscal 2009					
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
500,000		0	1,093,372	0	0	1,593,372	500,000	0	1,082,278	0	1,582,278
f. Direct Care Worker Wage Increase (Restricted)											
1,050,088		0	1,668,390	0	0	2,718,478	1,055,431	0	1,663,047	0	2,718,478
g. Provider Rate Increase (Restricted)											
91,422		0	1,916	0	0	93,338	246,847	0	3,866	0	250,713
h. VR Tuition Increases											
44,359		0	163,897	0	0	208,256	56,237	0	207,786	0	264,023
i. Montana Youth Leadership Forum											
50,000		0	0	0	0	50,000	50,000	0	0	0	50,000
j. VR Transition Counselor											
55,283		0	0	0	0	55,283	51,884	0	0	0	51,884
10. Health Resources Division (11)											
123,698,117		19,947,092	341,190,786	0	0	484,835,995	134,719,465	19,749,092	367,644,813	0	522,113,370
a. Health Resources Division Administration/Reporting											
232,550		12,726	281,657	0	0	526,933	234,655	12,841	284,208	0	531,704
b. Direct Care Worker Wage Increase (Restricted)											
18,036		300,000	695,142	0	0	1,013,178	19,050	300,000	694,128	0	1,013,178
c. Provider Rate Increase (Restricted)											
0		1,620,277	2,100,682	0	0	3,720,959	1,222,681	1,646,566	4,247,683	0	7,116,930
d. Hospital Utilization Fee (Restricted)											
0		17,503,843	38,222,192	0	0	55,726,035	0	20,324,595	44,183,150	0	64,507,745
e. Family Planning Waiver (OTO)											
348,297		0	2,743,296	0	0	3,091,593	347,669	0	2,742,669	0	3,090,338
f. Prescription Drug Discount Program (Restricted)											
0		1,389,441	0	0	0	1,389,441	0	2,037,846	0	0	2,037,846

	General Fund	Fiscal 2008					Fiscal 2009					
		State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
g.		Equalize Campus-Based Rates (Restricted)										
	23,785	0	69,943	0	0	93,728	54,261	0	159,558	0	0	213,819
h.		Raise Physician Reimbursement (Restricted)										
	0	0	0	0	0	0	520,306	0	1,522,928	0	0	2,043,234
i.		Medicaid Eligibility for Pregnant Women to 150% (Restricted)										
	0	943,117	2,061,397	0	0	3,004,514	0	1,216,532	2,646,701	0	0	3,863,233
j.		Revise Medically Needy Income Level (Restricted)										
	371,647	0	1,092,864	0	0	1,464,511	743,295	0	2,175,611	0	0	2,918,906
k.		Big Sky Rx Premium Assistance (Restricted/Biennial)										
	0	9,674,920	0	0	0	9,674,920	0	0	0	0	0	0
11.		Senior and Long-Term Care Division (22)										
	49,716,245	26,362,789	150,312,122	0	0	226,391,156	48,920,555	26,746,393	149,755,971	0	0	225,422,919
a.		Senior and Long-Term Care Administration/Reporting										
	156,811	48,394	145,629	0	0	350,834	158,226	48,845	146,942	0	0	354,013
b.		County Nursing Home Intergovernmental Transfer (Restricted)										
	0	3,030,598	6,028,599	0	0	9,059,197	0	3,786,730	7,488,860	0	0	11,275,590
c.		IGT Offset (Restricted/Biennial)										
	1,189,272	0	0	0	0	1,189,272	1,600,000	0	0	0	0	1,600,000
d.		Aging Services (Restricted)										
	371,647	0	0	0	0	371,647	371,647	0	0	0	0	371,647
e.		EMVH Resident Bus Replacement (OTO)										
	0	-40,000	0	0	0	40,000	0	0	0	0	0	0
f.		MVH Facility Upgrades (OTO)										
	0	165,000	0	0	0	165,000	0	165,000	0	0	0	165,000
g.		EMVH Fire Alarm System (OTO)										

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	15,000	0	0	0	15,000	0	0	0	0	0	0
h. MVH Contingency Fund (Restricted)												
	0	250,000	0	0	0	250,000	0	250,000	0	0	0	250,000
i. Direct Care Worker Wage Increase (Restricted)												
1,152,035	1,330,136	5,425,352	0	0	0	7,907,523	1,155,706	1,334,373	5,417,444	0	0	7,907,523
j. Provider Rate Increase (Restricted)												
123,083	1,555,760	3,398,230	0	0	0	5,077,073	2,012,199	1,578,443	6,867,306	0	0	10,457,948
k. Aging Services (OTO)												
1,500,000	0	0	0	0	0	1,500,000	1,500,000	0	0	0	0	1,500,000
l. Resource Facilitation Service -- Traumatic Brain Injury (Restricted/OTO)												
0	0	0	0	0	0	0	0	100,000	0	0	0	100,000
m. Healthcare for Healthcare Workers (Restricted)												
0	0	0	0	0	0	0	814,900	0	1,772,906	0	0	2,587,806
12. Addictive and Mental Disorders Division (33)												
51,366,876	8,472,424	46,078,800	0	0	0	105,918,100	52,864,079	8,575,352	47,747,122	0	0	109,186,553
a. Addictive/Mental Disorders Administration/Reporting												
477,886	169,817	512,013	0	0	0	1,159,716	484,739	170,487	514,470	0	0	1,169,696
b. Direct Care Worker Wage Increase (Restricted)												
224,964	0	491,711	0	0	0	716,675	225,681	0	490,994	0	0	716,675
c. Behavioral Health Inpatient Facility (Restricted/OTO)												
0	0	0	0	0	0	0	3,000,000	0	3,263,417	0	0	6,263,417
d. Mental Health Drop-In Centers (Restricted)												
371,647	0	0	0	0	0	371,647	371,647	0	0	0	0	371,647
e. Suicide Prevention (Restricted)												
400,000	0	0	0	0	0	400,000	400,000	0	0	0	0	400,000

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
f.	Services for Mentally Ill Offenders (Restricted)											
371,647		0	0	0	0	371,647	371,647	0	0	0	0	371,647
g.	Expand Mental Health Services Plan (Restricted)											
2,601,531		0	0	0	0	2,601,531	2,601,531	0	0	0	0	2,601,531
h.	Provider Rate Increase (Restricted)											
160,525		327,689	730,386	0	0	1,218,600	680,487	362,087	1,539,439	0	0	2,582,013
i.	Mentally Ill Offender Drugs (Restricted/Biennial/OTO)											
950,000		0	0	0	0	950,000	0	0	0	0	0	0
j.	72-Hour Crisis Eligibility (Restricted)											
1,861,245		0	171,525	0	0	2,032,770	1,860,334	0	172,436	0	0	2,032,770
k.	Methamphetamine Treatment (Restricted)											
2,000,000		0	0	0	0	2,000,000	2,000,000	0	0	0	0	2,000,000
l.	MHSP Drugs (Biennial)											
0		6,305,210	0	0	0	6,305,210	0	0	0	0	0	0
m.	Community Liaison Officers (Restricted)											
0		129,522	0	0	0	129,522	0	145,000	0	0	0	145,000
n.	Service Area Authority Grants (Restricted)											
115,000		0	0	0	0	115,000	115,000	0	0	0	0	115,000
Total												

Human and Community Services Division

Funding for Child Care for Working Caretaker Relative may be expended only by the human and community services division for child care assistance for working grandparents or caretaker relatives providing care for children in place of their parents.

Funding for Work Training Program includes \$504,436 of TANF block grant funds each year of the biennium. Funds may be expended only by TANF work contractors to

Fiscal 2008			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary

Fiscal 2009			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary

Total	Other	Total
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support additional employment and training activities, including antipoverty efforts that enhance the work capacity of TANF recipients.

Included in Human and Community Services Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services;

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Ombudsman Funding—Warm Hearts/Warm Homes may be expended only for activities related to the ombudsman function.

Child and Family Services Division

Funding for CFSD Overtime may be expended only in support of CFSD staff overtime costs.

Funding for Replacement of Computers and Equipment may be expended only to replace child and family services division computers and equipment.

Funding for Mental Health Case Management Increase for the child and family services division may be expended only for mental health case management services. Funding is contingent upon revisions to centers for medicare and medicaid services (CMS) federal regulations that disallow federal reimbursement to the state for case management services for children in foster care.

Funding for Federal Law Change for Kin Care Providers may be expended only by the CFSD to replace lost federal funding for administrative activities associated with children in unlicensed foster care homes.

The appropriation for Additional Field Staff/Report includes funding for reports to the children, families, health, and human services interim committee showing the dates on which new staff were hired, areas of service, and measurements included in the division's goals and objectives:

Funding for Targeted Case Management Federal Law Change may be expended only by the child and family services division to replace federal funds for targeted case management services that are eliminated by the federal Deficit Reduction Act of 2005.

Funding for Therapeutic Group Homes/Family Foster Care may be expended only by the CFSD to implement changes in federal medicaid policy related to federal funding for therapeutic services.

Included in Child and Family Services/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services;

			<u>Fiscal 2008</u>				<u>Fiscal 2009</u>			
General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total

~~If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.~~

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. To the extent of available appropriations, the department's contracts with group homes and shelters must require them to raise the lowest paid direct care workers to \$8.50 an hour and to raise related benefits, and the remaining balance must be used to raise wages and related benefits of all direct care workers. The department shall increase the model rate matrix for group and shelter homes. Child and Family Services/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.

Funds in Provider Rate Increase may be used only to raise provider rates.

Provider Rate Increase will be implemented starting October 1, 2007.

Director's Office

Included in Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and
- (2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services.

~~If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.~~

Child Support Enforcement Division

Funding for Child Support Enforcement Rent Increase may be expended only for increases in rent for CSED office space located in Helena and for regional offices in Butte, Billings, Great Falls, and Missoula.

Funding for Child Support Deficit Reduction Act may be expended only to replace federal funding from the elimination of the incentive funds match and the reduction of the federal match allowed for child support paternity testing services. Funds may be expended in the historical expenditure categories.

Funding for Child Support Enforcement DRA Fee may be expended only for the federally mandated \$25 fee according to the percentage split of the fee of 66% federal and 34% state.

Included in Child Support Enforcement/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

Fiscal 2008

General	State	Federal			
<u>Fund</u>	<u>Revenue</u>	<u>Special</u>	<u>Revenue</u>	<u>Propri-</u>	<u>etary</u>

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services;

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Business and Financial Services Division

Included in Business and Financial Services/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services;

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Public Health and Safety Division

Tobacco Prevention Activities includes \$90,000 each year of the biennium for each of the seven Montana tribes. The funding must be used for tribal tobacco use prevention programs that meet the same requirements as other community-based contractors providing tobacco use prevention programs.

Included in Division Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services;

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Funding for Asbestos-Related Diseases Administration includes funding for an annual report to the children, families, health, and human services interim committee on the number of participants assisted through the grant program, the amount of funding needed by each participant, and the estimated funding needed to pay future costs of participants.

Quality Assurance Division

Included in Division Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services;

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Technology Services Division

	<u>Fiscal 2008</u>				<u>Fiscal 2009</u>			
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary
					Total	Other	Total	Other

Funding for CAPS System Facilities Management Increase may be expended only for the child and adult protective services CAPS contract for an increase in cost of living and level of effort.

Funding for the Ongoing Support for CHIMES may be expended only for platform costs, lease payments, maintenance of servers, and operating system support associated with the new combined health information and medicaid eligibility system (CHIMES).

Included in Technology Services Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services; if the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Disability Services Division

Funding for MTAP New Technologies includes \$1,065,000 in biennial state special revenue in fiscal year 2008 for the Montana telecommunications access program that is contingent upon passage of federal communication commission regulations requiring states to pay for new technologies related to video relay service (VRS) and internet protocol relay (IP). Funding for MTAP New Technologies may be expended only to replace federal funds for VRS and IP services.

Included in Disability Services Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services; if the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Funding for DD Wait List Reduction may be expended only for developmental disabilities community services for persons who are on the waiting list and currently not receiving community services and for persons who are receiving some community services and are in need of further services.

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers up to \$8.50 an hour and to raise related benefits, and the remaining balance may be used only to raise wages and related benefits of all direct care workers. To the extent of available appropriations, the department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The

			<u>Fiscal 2008</u>		
<u>General</u>	<u>State</u>	<u>Federal</u>			
<u>Fund</u>	<u>Special</u>	<u>Special</u>	<u>Propri-</u>	<u>Other</u>	<u>Total</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>etary</u>		

			<u>Fiscal 2009</u>		
	<u>State</u>	<u>Federal</u>			
	<u>Special</u>	<u>Special</u>	<u>Propri-</u>	<u>Other</u>	<u>Total</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>etary</u>		

documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. Disability Services Division/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.

Funds in Provider Rate Increase may be used only to raise provider rates.

Provider Rate Increase will be implemented starting October 1, 2007.

Health Resources Division

Included in Health Resources Division Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services; if the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers to \$8.50 an hour and to raise related benefits, and the remaining balance may be used only to raise wages and related benefits of all direct care workers. To the extent of available appropriations, the department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. Health Resources Division Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.

Funds in Provider Rate Increase may be used only to raise provider rates.

Provider Rate Increase will be implemented starting October 1, 2007.

Hospital Utilization Fee is dependent upon passage and approval of Senate Bill No. 118 of the 2007 regular session. Funds in Hospital Utilization Fee may be used only for rate increases for medicare services provided by hospitals.

Funds in Equalize Campus-Based Rates may be used only to raise medicare rates for campus-based therapeutic youth group home providers as long as that level of care continues. Otherwise, the funds may be used to raise medicare rates for therapeutic group home services.

Fiscal 2008				Fiscal 2009			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
Total				Total			
Other				Other			
Total				Total			

Raise Physician Reimbursement may be used only to increase medicaid rates paid for physician services.

Funds in Medicaid Eligibility for Pregnant Women to 150% may be used only to provide medicaid services for infants up to 1 year of age and for pregnant women with incomes between 133% and 150% of the federal poverty index.

Revise Medically Needy Income Level may be used only to increase the amount of income that is disregarded in determining eligibility for medicaid for the medically needy category of eligibility.

Big Sky Rx Premium Assistance may be used only to pay all or a portion of the monthly premium payment for part d drug assistance for low-income persons who are eligible for medicare as allowed by 53-6-1201(3)(b).

Senior and Long-Term Care Division

Included in Senior and Long-Term Care Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and
 - (2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services.
- If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of medicaid services provided.

Funds in IGT Offset may be used as medicaid matching funds for nursing home services and home-based services for aged and physically disabled persons only if the county nursing home intergovernmental transfer program is not sufficient to reimburse county nursing homes a net payment of at least \$5 a day for medicaid services and other nursing homes a net payment of at least \$2 a day for medicaid services. IGT Offset must be used only to fund a shortfall in the amount of county funds transferred as part of the county nursing home intergovernmental transfer program that is appropriated as state match for medicaid nursing home and home-based services.

Funds in Aging Services may be used only to expand community-based aging services.

Funding in Montana Veterans' Home Contingency Fund may be used only if federal and private revenue available from federal special revenue and private payment state special revenue appropriations in fiscal year 2008 or fiscal year 2009 are insufficient to operate the homes at capacity to maximize collection of federal and private payments. The office of budget and program planning shall notify the legislative finance committee when the appropriation will be used.

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the certified nurse

			<u>Fiscal 2008</u>			<u>Fiscal 2009</u>		
<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Proprietary</u>	<u>Other</u>	<u>Total</u>	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>
								<u>Proprietary</u>
								<u>Other</u>
								<u>Total</u>

aid and personal care attendant direct care worker wages and benefits to \$8.50 an hour, including related benefits. Any remaining funds may be used only to raise wages, and related benefits, up to \$0.70 an hour for direct care workers and other low-paid staff. To the extent of available appropriations, the department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. ~~Senior and Long-Term Care Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.~~

Funds in Provider Rate Increase may be used only to raise provider rates.

Resource Facilitation Service—Traumatic Brain Injury may be used only to fund community-based entities that assist persons with a traumatic brain injury to access services that aid recovery from their injuries.

Healthcare for Healthcare Workers may be used only for provider rate increases for contractors that provide in-home services administered by the senior and long-term care division and receive the majority of their income for those services from the medicaid program.

Addictive and Mental Disorders Division

~~Included in Addictive/Mental Disorders Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and children, families, health, and human services interim committee for the following:~~

- ~~(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and~~
- ~~(2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services.~~

~~If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.~~

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers to \$8.50 an hour and to raise related benefits, and the remaining balance may be used only to raise wages and related benefits of all direct care workers. To the extent of available appropriations, the department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted.

~~Addictive/Mental Disorders Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.~~

Behavioral Health Inpatient Facility may be used only to develop one or more behavioral health inpatient facilities as defined in 53-21-102(2). Behavioral Health Inpatient Facility

Fiscal 2008			Fiscal 2009		
General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue
					Proprietary
					Other
					Total

may be used to pay for services and may not be used for construction of buildings. Behavioral Health Inpatient Facility is contingent upon passage and approval of Senate Bill No. 45 of the 2007 regular session.

Funds in Mental Health Drop-In Centers may be used only to support community drop-in centers for persons with a mental illness and to provide training for up to 60 consumers each fiscal year to perform peer specialist duties. Drop-in centers with staff who can assist persons with medication management must receive priority in consideration for funding.

Funds in Suicide Prevention may be used only to implement a comprehensive suicide prevention program, which at a minimum includes a suicide prevention officer, a comprehensive suicide reduction plan, and a 24-hour suicide prevention hotline.

Funding in Services for Mentally Ill Offenders may be used for two purposes only:

(1) services for adults under the supervision of the community corrections division in the department of corrections; and

(2) training for community probation and parole officers.

The services may include case management, treatment, transition support, and medication monitoring. Funding may be used to provide training to community probation and parole officers about mental illness and chemical dependency and about how to assist offenders to enroll in public benefit programs, if appropriate.

Funds in Expand Mental Health Services Plan may be used only to implement 53-21-702(2).

Funds in Provider Rate Increase may be used only to raise provider rates.

Provider Rate Increase will be implemented starting October 1, 2007.

Funding in Mentally Ill Offender Drugs may be used only to provide a prescription benefit for offenders leaving secure care who meet the criteria for serious mental illness and who have not been enrolled in public benefit programs. Benefits may include a 60-day supply of medications and other short-term medication purchases for offenders who become unstable and need medications and who are not eligible for other public prescription drug programs.

72-Hour Crisis Eligibility may be used only to develop community mental health crisis services and for provision of psychiatric consulting services for community providers who manage and administer community mental health crisis services.

Methamphetamine Treatment may be used only to develop community treatment. Parents with children must be given priority consideration when selecting candidates to participate in the treatment funded by Methamphetamine Treatment.

Funding in Community Liaison Officers may be used only for five half-time staff in the addictive and mental disorders division to provide focused reentry support services, including assistance in accessing community services, to persons who are discharged from Montana state hospital. The legislature intends that the positions be filled by individuals who have a primary diagnosis of mental illness and are certified peer specialists. The goal of this service is to reduce readmissions to Montana state hospital at 30- and 60-day intervals, as a result of assisted reintegration to community settings.

	<u>Fiscal 2008</u>			<u>Fiscal 2009</u>		
	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Other</u>	<u>Total</u>	<u>Propri- etary</u>

Other Total

Service Area Authority Grants may be used only to provide grants to service area authorities established in 53-21-1006.

TOTAL SECTION B

377,886,025	128,785,357	1,006,484,835	0	0	1,513,156,217	399,859,231	117,760,565	1,064,146,830	0	0	1,581,766,626
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	Fiscal 2008			Fiscal 2009		
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total

C. NATURAL RESOURCES AND COMMERCE

DEPARTMENT OF FISH, WILDLIFE, AND PARKS (5201)

1.	Information Services Division (01)	0	3,692,047	159,789	0	0	3,851,836	0	3,770,291	159,937	0	0	3,930,228
2.	Field Services Division (02)	0	9,231,007	473,412	0	0	9,704,419	0	9,263,160	479,060	0	0	9,742,220
3.	Fisheries Division (03)	0	4,843,550	7,976,843	0	0	12,820,393	0	4,890,162	7,994,213	0	0	12,884,375
a.	State Wildlife Grants (OTO)	250,000	0	0	0	0	250,000	250,000	0	0	0	0	250,000
b.	Warm Water Fisheries Enhancement (Restricted/Biennial/OTO)	135,000	0	0	0	0	135,000	135,000	0	0	0	0	135,000
c.	Cartersville Diversion Feasibility Study (Restricted/Biennial/OTO)	55,000	0	0	0	0	55,000	55,000	0	0	0	0	55,000
4.	Law Enforcement Division (04)	0	7,968,979	397,831	0	0	8,366,810	0	7,947,403	398,759	0	0	8,346,162
a.	Warden Vacancy Savings	0	212,545	9,691	0	0	222,236	0	213,424	6,737	0	0	220,161
b.	Increased Snowmobile Fees	0	10,573	0	0	0	10,573	0	10,573	0	0	0	10,573
5.	Wildlife Division (05)	0	4,951,482	4,718,543	0	0	9,670,025	0	4,967,409	4,734,514	0	0	9,701,923
a.	Harvest Automation (Biennial/OTO)	0	10,000	30,000	0	0	40,000	0	10,000	30,000	0	0	40,000
b.	Black Bear Research (OTO)												

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
	0	8,620	25,859	0	34,479	0	8,620	25,859
c. State Wildlife Grants (OTO)								
250,000	0	0	0	0	250,000	0	0	0
6. Parks Division (06)								
0	7,550,424	213,960	0	0	7,764,384	0	7,575,151	213,960
a. Snowmobile Equipment (Biennial)								
0	185,000	0	0	0	185,000	0	185,000	0
b. Increased Snowmobile Fees								
0	80,883	0	0	0	80,883	0	80,883	0
c. Rattlesnake Footbridge and Bike Trail at Pine Street (Restricted/Biennial/OTO)								
0	0	37,500	0	0	37,500	0	37,500	0
7. Conservation Education Division (08)								
0	2,411,997	719,430	0	0	3,131,427	0	2,421,202	719,430
a. Shooting Range Grants (Biennial)								
0	450,000	0	0	0	450,000	0	450,000	0
8. Management and Finance (09)								
0	9,498,339	33,696	0	0	9,532,035	0	9,522,643	33,697
a. Legislative Audit (Restricted/Biennial)								
0	91,422	16,134	0	0	107,556	0	0	0
b. Office Rent Increase (Restricted)								
0	15,000	0	0	0	15,000	0	15,000	0
c. Increased Snowmobile Fees								
0	5,287	0	0	0	5,287	0	5,287	0
Total								

	Fiscal 2008			Fiscal 2009		
	General Fund	State Special Revenue	Federal Special Revenue	Propr-etary	Other	Total

690,000 51,217,155 14,812,688 0 0 66,719,843 690,000 51,336,208 14,833,666 0 0 66,859,874

During the 2009 biennium, if the department obtains federal funding for the operations of the Fort Peck fish hatchery, it must be used to replace state special revenue approved to fund personal services and operational costs of the hatchery.

Warm Water Fisheries Enhancement is restricted to the following projects:

- (1) completion of a fish passage around the T&Y irrigation district diversion dam on the Tongue River, and
- (2) removal of the S&H diversion dam on the Tongue River.

If Senate Bill No. 205 of the 2007 regular session is not passed and approved, Warden Vacancy Savings is void.

Harvest Automation includes funding for an annual report to the environmental quality council summarizing harvest estimates and hunting pressure for big game and upland game birds for the most recently completed hunting season for these species.

Office Rent Increase is reslricd to increases associated with the relocation of the Lewistown and Havre offices.

DEPARTMENT OF ENVIRONMENTAL QUALITY (5301)

1.	Central Management Program (10)	374,793	1,320,682	558,239	0	0	2,253,714	376,240	1,330,128	557,902	0	0	2,264,270
	a. Business Process Improvement (OTO)	987,619	0	0	0	0	987,619	788,773	0	0	0	0	788,773
2.	Planning, Prevention, and Assistance Division (20)	2,885,269	1,142,540	9,039,651	0	0	13,067,460	2,893,930	1,129,131	9,094,063	0	0	13,117,124
	a. Biofuels Testing (OTO)	250,000	0	0	0	0	250,000	0	0	0	0	0	0
	b. Recycling and Electronic Waste Disposal Education	16,500	0	0	0	0	16,500	16,500	0	0	0	0	16,500
3.	Enforcement Division (30)	514,035	350,124	314,446	0	0	1,178,605	504,696	349,742	314,102	0	0	1,168,540
4.	Remediation Division (40)	0	2,325,646	8,549,209	0	0	10,874,875	0	2,325,738	8,589,622	0	0	10,915,360

	Fiscal 2008					Fiscal 2009				
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
a.	Accelerated Remediation – Selected CECRA Sites (Restricted/Biennial/OTO)									
1,000,000	0	0	0	0	1,000,000	1,000,000	0	0	0	1,000,000
b.	Orphan Share (Restricted/Biennial/OTO)									
0	1,200,000	0	0	0	1,200,000	0	1,200,000	0	0	1,200,000
c.	Mine Waste Cleanup (Biennial)									
0	0	366,753	0	0	366,753	0	0	366,752	0	366,752
d.	Hazardous Waste Cleanup LUST Trust (Biennial)									
0	99,881	0	0	0	99,881	0	99,880	0	0	99,880
5.	Permitting and Compliance Division (50)									
1,084,077	13,795,782	5,277,720	0	0	20,157,579	1,085,265	13,797,373	5,276,296	0	20,158,934
a.	Industrial Wastewater Operator Cert. (Biennial/OTO)									
0	33,438	0	0	0	33,438	0	33,750	0	0	33,750
b.	High Strength Wastewater Std. (Biennial/OTO)									
0	30,900	0	0	0	30,900	0	31,200	0	0	31,200
c.	Brownfields Grant (Biennial)									
0	0	119,600	0	0	119,600	0	0	118,450	0	118,450
d.	Onsite Wastewater Operator Cert. (Biennial/OTO)									
0	82,400	0	0	0	82,400	0	83,200	0	0	83,200
e.	Swift Gulch Drainage System (Biennial/OTO)									
500,000	0	0	0	0	500,000	0	0	0	0	0
f.	Hard Rock and MFSA (Restricted/Biennial)									
0	1,820,367	1,240,764	0	0	3,061,131	0	1,837,867	1,253,264	0	3,091,131
g.	Air Regulatory Assistance (Restricted/Biennial/OTO)									
0	257,500	0	0	0	257,500	0	260,000	0	0	260,000
h.	Gray Water Permit									

	Fiscal 2008				Fiscal 2009							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	10,000	0	0	0	10,000	0	0	0	0	0	0
i.	Increased County Junk Vehicle Grants											
	0	171,397	0	0	0	171,397	0	173,593	0	0	0	173,593
6.	Petroleum Tank Release Compensation Board (90)											
	0	671,587	0	0	0	671,587	0	673,873	0	0	0	673,873
Total												

Accelerated Remediation—Selected CECRA Sites is limited to remedial investigation of the upper Blackfoot mining complex. The department shall provide semiannual reports to the environmental quality council regarding the progress toward the following milestones for the upper Blackfoot mining complex:

- (1) ~~December 2007~~ — completion of the remedial investigation plan;
- (2) ~~September 2008~~ — completion of field work; and
- (3) ~~January 2009~~ — completion of the remedial investigation report.

The department is appropriated up to \$250,000 of the funds recovered under the petroleum tank compensation board subrogation program in the 2009 biennium for the purpose of paying contract expenses related to the recovery of funds.

DEPARTMENT OF LIVESTOCK (5603)

- [illegible]

Fiscal 2008							Fiscal 2009				
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
0	182,000	0	0	0	182,000	0	182,000	0	0	0	182,000
e.	Livestock Loss Reduction and Mitigation (Restricted/Biennial/OTO)										
30,000	0	0	0	0	30,000	0	0	0	0	0	0
f.	Parimutuel Wagering on Fantasy Sports Leagues – HB 616 (Restricted)										
0	316,000	0	0	0	316,000	0	149,934	0	0	0	149,934
2.	Diagnostic Laboratory Program (03)										
439,888	1,130,523	0	0	0	1,570,411	439,896	1,090,848	0	0	0	1,530,744
a.	Diagnostic Lab PCR Technology (OTO)										
0	62,272	0	0	0	62,272	0	50,812	0	0	0	50,812
3.	Animal Health Division (04)										
0	520,447	942,647	0	0	1,463,094	0	523,737	942,568	0	0	1,466,305
a.	Animal Health Division Vehicle Replacement (Restricted/OTO)										
0	0	0	0	0	0	0	26,000	0	0	0	26,000
4.	Milk and Egg Program (05)										
0	282,067	32,842	0	0	314,909	0	283,014	32,841	0	0	315,855
a.	Milk and Egg Bureau Vehicle Replacement (Restricted/OTO)										
0	26,000	0	0	0	26,000	0	0	0	0	0	0
5.	Brands Enforcement Division (06)										
0	2,870,886	0	0	0	2,870,886	0	2,882,893	0	0	0	2,882,893
a.	Brand Division Vehicle Replacement (Restricted/OTO)										
0	120,712	0	0	0	120,712	0	94,712	0	0	0	94,712
6.	Meat and Poultry Inspection Program (10)										
562,725	6,475	562,725	0	0	1,131,925	564,693	6,475	564,693	0	0	1,135,861
a.	Meat Plant Inspector (Restricted)										
22,673	0	22,674	0	0	45,347	20,542	0	20,542	0	0	41,084

	Fiscal 2008			Fiscal 2009				Total	Other	Total
	General Fund	State Special Revenue	Federal Special Revenue	General Fund	State Special Revenue	Federal Special Revenue	Proprietary			
b. FAIM Computer Maintenance Contract (Restricted/OTO)										
3,261	0	3,261	0	3,261	0	3,261	0	6,522	0	6,522
Total										
1,233,547	7,506,749	1,564,149	0	1,203,392	7,252,791	1,563,905	0	10,304,445	0	10,020,088
Livestock Loss Reduction and Mitigation may be used only to compensate livestock owners for losses caused by wolves.										
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION (5706)										
1. Centralized Services (21)										
2,179,654	724,696	99,995	0	2,269,550	663,283	75,000	0	3,004,345	0	3,007,833
a. Legislative Audit (Restricted/Biennial)										
110,720	0	0	0	0	0	0	0	110,720	0	0
b. GIS Enterprise Equipment IT (OTO)										
105,000	0	0	0	25,000	0	0	0	105,000	0	25,000
2. Oil and Gas Conservation Division (22)										
0	2,055,850	0	0	0	2,074,651	0	0	2,055,850	0	2,074,651
a. Oil and Gas Public Access Data System (OTO)										
0	212,669	0	0	0	212,696	0	0	212,669	0	212,696
b. North American Expo (Biennial/OTO)										
0	7,500	0	0	0	7,500	0	0	7,500	0	7,500
c. Temporary Relocation (Restricted/Biennial/OTO)										
0	32,500	0	0	0	32,500	0	0	32,500	0	32,500
d. Educational Outreach (Biennial)										
0	62,500	0	0	0	62,500	0	0	62,500	0	62,500
3. Conservation and Resource Development Division (23)										
1,445,723	2,949,409	265,948	0	1,447,760	2,952,084	273,608	0	4,661,080	0	4,673,452

	Fiscal 2008					Fiscal 2009				
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total
a.										
	0	114,000	0	0	0	0	114,000	0	0	114,000
b.										
	0	100,000	0	0	0	0	100,000	0	0	100,000
c.										
	0	300,000	0	0	0	0	300,000	0	0	300,000
d.										
	101,500	0	0	0	0	101,500	0	0	0	101,500
e.										
	0	75,000	0	0	0	0	75,000	0	0	75,000
f.										
	0	100,000	0	0	0	0	100,000	0	0	100,000
g.										
	100,000	0	0	0	0	100,000	0	0	0	100,000
4.										
	7,011,065	4,402,377	199,168	0	0	11,612,610	7,275,447	4,406,729	199,289	11,881,465
a.										
	0	1,895,000	0	0	0	0	25,000	0	0	25,000
b.										
	0	500,000	0	0	0	0	500,000	0	0	500,000
c.										
	0	35,000	0	0	0	0	35,000	0	0	35,000
d.										
	0	250,000	0	0	0	0	250,000	0	0	250,000
e.										

		Fiscal 2008				Fiscal 2009					
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
119,602	0	0	0	0	119,602	113,794	0	0	0	0	113,794
f.	Clark Fork River Basin Task Force (OTO)										
45,000	0	0	0	0	45,000	45,000	0	0	0	0	45,000
g.	Water Rights Ownership Updates										
0	247,907	0	0	0	247,907	0	0	0	0	0	0
h.	Ground Water Assessments										
257,995	18,000	0	0	0	275,995	246,965	18,000	0	0	0	264,965
i.	United States Forest Service Water Compact										
50,497	15,084	0	0	0	65,581	47,821	14,284	0	0	0	62,105
j.	Hungry Horse Dam Water Leasing Study (Restricted/Biennial/OTO)										
130,000	0	0	0	0	130,000	130,000	0	0	0	0	130,000
5.	Reserved Water Rights Compact Commission (25)										
704,733	0	0	0	0	704,733	461,234	0	0	0	0	461,234
a.	Contracted Services (OTO)										
97,500	0	0	0	0	97,500	97,500	0	0	0	0	97,500
6.	Forestry and Trust Lands (35)										
8,743,175	14,448,453	1,285,113	0	0	24,476,741	8,785,951	14,498,716	1,286,503	0	0	24,571,170
a.	Woody Biomass Utilization Program (OTO)										
250,000	0	0	0	0	250,000	250,000	0	0	0	0	250,000
b.	Fire Fighting Equipment (Restricted/Biennial/OTO)										
1,000,000	0	0	0	0	1,000,000	0	0	0	0	0	0
c.	Reliance Refinery (Biennial/OTO)										
0	500,000	0	0	0	500,000	0	500,000	0	0	0	500,000
d.	Contract Timber Harvesting (Restricted)										
0	0	0	0	0	0	0	280,000	0	0	0	280,000

	Fiscal 2008				Total	Fiscal 2009				Total	
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary		Other	General Fund	State Special Revenue	Federal Special Revenue		Proprietary
e.	Access Acquisition (Biennial)										
0	100,000	0	0	0	100,000	0	100,000	0	0	0	100,000
f.	Weed Control on State Lands										
0	5,000	0	0	0	5,000	0	5,000	0	0	0	5,000
g.	Independent Staff – Board of Land Commissioners										
0	135,000	0	0	0	135,000	0	135,000	0	0	0	135,000

Oil and Gas Public Access Data System funding in fiscal year 2009 is contingent upon provision of an annual report to the environmental quality council by June 2008 detailing

progress on the access project.

Missouri River Council funding in fiscal year 2009 is contingent upon provision of an annual report to the environmental quality council by June 2008 regarding the Missouri

River council's progress towards its goals.

Conservation District Operation—Coal Bed Methane is restricted to the costs associated with managing the coal bed methane water damage program.

During the 2009 biennium, the department is appropriated up to \$1 million of state special revenue from the coal bed methane account to fund potential landowner or water right holder claims for emergency loss of water related to coal bed methane development.

During the 2009 biennium, if Montana Rural Water Systems receives federal funding, Montana Rural Water Systems is reduced by a like amount.

Economic Analysis of Irrigated Agriculture is restricted to contracted services for the purposes of determining the economic benefits of irrigation, the impact of new irrigation projects, and the rehabilitation needs of older irrigation projects. ~~The department shall provide to the interim water policy committee the scoping document of the study prior to release of the request for proposal to complete the study.~~ A final written report must be provided to the interim water policy committee by September 15, 2008.

State Water Projects Rehabilitation is restricted to survey expenditures and rehabilitation of the following projects:

- (1) Ackley Lake dam;
- (2) Cataract dam;
- (3) Deadman's Basin dam; and
- (4) Flint Creek east fork siphon.

	Fiscal 2008					Fiscal 2009						
	General Fund	Slate Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	Slate Special Revenue	Federal Special Revenue	Proprietary	Other	Total	
The Reserved Water Rights Compact Commission fiscal year 2009 appropriation is contingent upon the delivery of a transition plan that addresses workload changes from negotiation to implementation of water compacts to the environmental quality council by June 30, 2008:												
Fire Fighting Equipment is restricted to the purchase of title to the department's helicopters. If the purchase is less than \$1 million, the department may use the balance of the appropriation for the purchase of equipment for the county cooperative program.												
If Senate Bill No. 25 of the 2007 regular session is not passed and approved, Contract Timber Harvesting is void.												
If Senate Bill No. 8 of the 2007 regular session is not passed and approved, Independent Staff -- Board of Land Commissioners is void.												
DEPARTMENT OF AGRICULTURE (6201)												
1.	Central Management Division (15)											
	97,242	693,330	95,000	83,874	0	969,446	104,757	694,399	95,000	84,021	0	978,177
a.	Legislative Audit (Restricted/Biennial)											
	41,124	0	0	0	0	41,124	0	0	0	0	0	0
b.	E-Government Information Technology (OTO)											
	51,894	87,250	18,000	750	0	157,894	49,250	0	0	13,000	0	62,250
2.	Agricultural Sciences Division (30)											
	278,056	5,729,095	2,100,387	0	0	8,107,538	278,422	5,720,979	2,491,601	0	0	8,491,002
a.	Noxious Weed Trust Fund Grants Increase (OTO)											
	0	0	0	0	0	0	0	409,136	0	0	0	409,136
b.	Bozeman Lab Equipment (Biennial/OTO)											
	0	300,000	0	0	0	300,000	0	0	0	0	0	0
c.	Bovine Spongiform Encephalopathy Lab Equipment (Biennial)											
	50,000	0	0	0	0	50,000	0	0	0	0	0	0
d.	Revise Nursery Laws -- HB 569											
	0	34,598	0	0	0	34,598	0	34,598	0	0	0	34,598
3.	Agricultural Development Division (50)											
	389,740	3,681,617	25,000	339,911	0	4,436,268	391,771	3,684,131	25,000	340,940	0	4,441,802

	General Fund	Fiscal 2008			Total	General Fund	Fiscal 2009			Total
		State Special Revenue	Federal Special Revenue	Propri- etary			State Special Revenue	Federal Special Revenue	Propri- etary	
a. Montana State Hail Insurance Database (Biennial/OTO)	0	0	0	100,000	0	0	0	0	0	0
b. Montana Certified Beef Natural Marketing Program – SB 544	0	0	0	0	0	5,000	0	0	0	5,000
c. Increase Payment to Advisory Board Members – SB 62	0	11,375	125	250	11,750	0	11,659	128	256	12,043
Total	908,056	10,537,265	2,238,512	524,785	14,208,618	824,200	10,559,902	2,611,729	438,177	14,434,008
DEPARTMENT OF COMMERCE (6501)										
1. Business Resources Division (51)	1,972,594	2,313,308	4,771,826	0	9,057,728	1,980,642	2,313,407	4,771,827	0	9,065,876
a. Legislative Audit (Restricted/Biennial)	3,917	1,382	3,918	0	9,217	0	0	0	0	0
b. New Worker Training (OTO)	3,997,361	0	0	0	3,997,361	3,997,450	0	0	0	3,997,450
c. Tribal Economic Development (OTO)	798,496	0	0	0	798,496	798,548	0	0	0	798,548
d. Montana Capital Investment Board (OTO)	146,936	0	0	0	146,936	73,210	73,209	0	0	146,419
e. Biomedical Research (Biennial/OTO)	2,000,000	0	0	0	2,000,000	0	0	0	0	0
f. Federal Grant Adjustment (Restricted/OTO)	0	0	2,014,785	0	2,014,785	0	0	0	0	0
g. Main Street (OTO)										

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary
					Total	Other	Total	Other
123,496	0	0	0	0	123,496	123,548	0	0
h. Made in Montana (OTO)								
100,000	0	0	0	0	100,000	100,000	0	0
2. Montana Promotion Division (52)								
0	490,760	0	0	0	490,760	0	490,760	0
a. Legislative Audit (Restricted/Biennial)								
0	19,595	0	0	0	19,595	0	0	0
b. Private Funds (Restricted)								
0	259,240	0	0	0	259,240	0	259,240	0
3. Community Development Division (60)								
415,689	1,154,373	6,225,672	0	0	7,795,734	416,452	1,156,334	6,225,785
a. Legislative Audit (Restricted/Biennial)								
2,562	2,113	2,562	0	0	7,237	0	0	0
b. Coal Board Grants (Biennial)								
0	2,000,000	0	0	0	2,000,000	0	0	0
c. Hard-Rock Mining Reserve (Restricted)								
0	100,000	0	0	0	100,000	0	100,000	0
d. Federal Grant Adjustment (Restricted/OTO)								
0	0	8,839,887	0	0	8,839,887	0	0	0
e. Energy Infrastructure Promotion and Development (OTO)								
330,000	0	0	0	0	330,000	330,000	0	0
4. Housing Division (74)								
53,837	0	6,089,717	0	0	6,143,554	50,407	0	6,091,290
a. Legislative Audit (Restricted/Biennial)								
0	0	4,705	0	0	4,705	0	0	0

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
b.	Manufactured Home Revolving Loan SSR Transfer (OTO)											
354,886		0	0	0	0	354,886	0	0	0	0	0	0
c.	Federal Grants Adjustment (Restricted/OTO)											
0		0	5,234,938	0	0	5,234,938	0	0	0	0	0	0
d.	Manufactured Home Revolving Loan SSR Payments (Biennial)											
0		177,443	0	0	0	177,443	0	177,443	0	0	0	177,443
5.	Director's Office/Management Services Division (81)											
0		0	725,646	0	0	725,646	0	0	725,646	0	0	725,646

Total

10,299,774	6,518,214	33,913,656	0	0	0	50,731,644	7,870,257	4,570,393	17,814,548	0	0	30,255,198
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Tribal Economic Development includes \$200 for semiannual reports to the legislative finance committee, state-tribal relations committee, and members of the joint

appropriations subcommittee on natural resources and commerce for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on natural resources and commerce in the budget analysis expanded narrative and

justification accompanying the department's funding request;

(2) attainment of measurable objectives as outlined in the budget analysis expanded narrative and justification accompanying the department's funding request;

The department shall provide the reports to the legislative finance committee, state-tribal relations committee, and members of the joint appropriations subcommittee on natural resources and commerce by December 31, 2007, and June 30, 2008:

TOTAL SECTION C

43,195,834	128,377,592	79,845,611	524,785	0	251,943,822	38,650,775	124,506,712	64,228,699	438,177	0	227,824,363
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		<u>Fiscal 2008</u>			<u>Fiscal 2009</u>		
		<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Proprietary</u>	<u>Other</u>	<u>Total</u>
D. CORRECTIONS AND PUBLIC SAFETY							
CRIME CONTROL DIVISION (4107)							
1.	Justice System Support Service (01)						
	1,319,767	9,739	551,303	0	1,880,809	1,339,766	9,872
	a. Pass-Through Grants (Biennial)						
	904,559	90,000	6,214,257	0	0	904,559	90,000

Justice System Support Service includes a reduction of 0.5 FTE and general fund money of \$19,965 in fiscal year 2008 and fiscal year 2009 that is contingent upon passage and approval of Senate Bill No. 273 of the 2007 regular session. If Senate Bill No. 273 is not passed and approved, FTE and funding in Justice System Support Service are increased by this amount.

All remaining pass-through grant appropriations, up to \$100,000 in general fund money, \$180,000 in state special revenue, and \$12,428,514 in federal funds, including reversions, for the 2007 biennium are authorized to continue and are appropriated in fiscal year 2008 and fiscal year 2009.

DEPARTMENT OF JUSTICE (4110)

1.	Legal Services Division (01)										
	4,983,466	342,316	560,968	0	0	5,886,750	4,997,686	342,599	559,845	0	5,900,130
a.	Major Litigation -- Wyoming (Biennial/OTO)										
	3,000,000	0	0	0	0	3,000,000	0	0	0	0	0
2.	Office of Consumer Protection (02)										
	0	557,813	0	0	0	557,813	0	560,957	0	0	560,957
a.	Forensic Rape Examination Program (Biennial)										
	17,500	0	0	0	0	17,500	17,500	0	0	0	17,500
b.	Consumer Protection Litigation (Biennial)										
	0	100,000	0	0	0	100,000	0	100,000	0	0	100,000

	General Fund	Fiscal 2008				Total	General Fund	Fiscal 2009				Total
		State Special Revenue	Federal Special Revenue	Proprietary	Other			State Special Revenue	Federal Special Revenue	Proprietary	Other	
3. Gambling Control Division (07)												
0	2,541,356	0	1,075,430	0	3,616,786	0	0	2,527,291	0	1,051,943	0	3,579,234
a. Gambling Database (Biennial/OTO)												
0	85,250	0	0	0	85,250	0	0	85,250	0	0	0	85,250
4. Motor Vehicle Division (12)												
7,024,891	4,998,546	0	536,126	0	12,559,563	7,038,530	0	5,007,578	0	536,126	0	12,582,234
a. Base Adjustment HB 577 Debt Payments (Biennial)												
0	800,000	0	0	0	800,000	0	0	775,000	0	0	0	775,000
b. Base Adjustment HB 261 Debt Payments (Biennial)												
0	2,500,000	0	0	0	2,500,000	0	0	3,500,000	0	0	0	3,500,000
c. MV Proprietary Account Spend Authority (Biennial)												
0	0	0	25,000	0	25,000	0	0	0	0	25,000	0	25,000
5. Highway Patrol Division (13)												
175,039	22,689,544	0	0	0	22,864,583	176,690	0	22,978,541	0	0	0	23,155,231
a. HB 781 -- Racial Profiling (OTO)												
161,750	0	0	0	0	161,750	0	0	0	0	0	0	0
6. Division of Criminal Investigation (18)												
4,172,077	1,878,709	1,107,110	0	0	7,157,896	4,203,833	0	1,881,260	1,110,719	0	0	7,195,812
a. Methamphetamine Watch Program (Restricted/Biennial/OTO)												
1,000,000	0	0	0	0	1,000,000	0	0	0	0	0	0	0
b. Child Sexual Abuse Support Function (Restricted/Biennial)												
250,000	0	0	0	0	250,000	250,000	0	0	0	0	0	250,000
7. Central Services Division (28)												
379,035	610,663	0	63,171	0	1,052,869	381,274	0	614,275	0	63,545	0	1,059,094
a. Legislative Audit (Restricted/Biennial)												

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
34,003		43,500	0	1,582	0	79,085	0	0	0	0	0	0
8. Information Technology Services Division (29)												
3,310,245		1,719,346	3,392	13,321	0	5,046,304	3,325,974	1,347,980	3,392	13,321	0	4,690,667
a. Additional Spending Authority for IRIS Broker (Biennial)												
0		375,000	0	0	0	375,000	0	375,000	0	0	0	375,000
9. Forensic Science Division (32)												
3,612,913		303,204	0	0	0	3,916,117	3,624,425	303,204	0	0	0	3,927,629
a. Crime Lab Equipment (Restricted/Biennial/OTO)												
115,375		0	0	0	0	115,375	115,375	0	0	0	0	115,375
b. Forensic Science Lab -- Records Management (OTO)												
52,000		0	0	0	0	52,000	0	0	0	0	0	0
c. Child Forensic Interview Specialist (Restricted)												
95,885		0	0	0	0	95,885	92,121	0	0	0	0	92,121

Total

28,384,179 39,545,247 1,671,470 1,714,630 0 71,315,526 24,223,408 40,398,935 1,673,956 1,689,935 0 67,986,234

Division of Criminal Investigation includes 1.5 FTE and general fund money of \$85,214 in fiscal year 2008 and \$82,575 in fiscal year 2009 that are contingent upon passage and approval of Senate Bill No. 273 of the 2007 regular session. If Senate Bill No. 273 is not passed and approved, FTE and funding in Division of Criminal Investigation are reduced by this amount.

Methamphetamine Watch Program may be used only for the purpose of making grants for community awareness, as provided 44-4-1002(3), to private, nonprofit programs engaged in public awareness media campaigns to combat the use of methamphetamine, especially among the young.

Child Sexual Abuse Support Function may be used only to provide technical assistance and support to local governments and entities to respond to reports of child sexual abuse, including forensic interview training, equipment to document interviews, and assistance to multidisciplinary teams, using the cornerhouse model of training.

Funding in Child Forensic Interview Specialist may be used only to support a forensic scientist specializing in processing of evidence in child abuse and neglect cases, for conducting forensic interviews of children in child abuse and neglect cases, and for related costs.

Fiscal 2008							Fiscal 2009				
General Fund	Slate Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	Slate Special Revenue	Federal Special Revenue	Proprietary	Other	Total
PUBLIC SERVICE COMMISSION (4201)											
1. Public Service Regulation Program (01)											
0	3,122,844	20,001	0	0	3,142,845	0	3,134,452	20,001	0	0	3,154,453
a. Legislative Audit (Restricted/Biennial)											
0	22,144	0	0	0	22,144	0	0	0	0	0	0
b. Pay Retirement Benefits (Restricted/Biennial/OTO)											
0	72,128	0	0	0	72,128	0	0	0	0	0	0
Total											
0	3,217,116	20,001	0	0	3,237,117	0	3,134,452	20,001	0	0	3,154,453
DEPARTMENT OF CORRECTIONS (6401)											
1. Administration and Support Services (01)											
13,706,284	337,460	0	75,581	0	14,119,325	13,938,570	332,502	0	75,041	0	14,346,113
a. Legislative Audit (Restricted/Biennial)											
30,294	0	0	0	0	30,294	0	0	0	0	0	0
b. BOPP ACA Reaccreditation Fee (Restricted/Biennial/OTO)											
3,000	0	0	0	0	3,000	3,000	0	0	0	0	3,000
c. Correctional Staff Scheduling Software (Restricted/OTO)											
219,200	0	0	0	0	219,200	0	0	0	0	0	0
d. Correctional Staff Scheduling Software – Maintenance (Restricted)											
27,800	0	0	0	0	27,800	27,800	0	0	0	0	27,800
e. Commissary, Inmate Banking, Rest. Software (Restricted/OTO)											
125,000	125,000	0	0	0	250,000	0	0	0	0	0	0
f. Commissary, Inmate Banking, Rest. Software – Maintenance (ResIndcd)											
0	0	0	0	0	0	17,500	17,500	0	0	0	35,000

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
g. MSP Fiber Plant Upgrade (Restricted/OTO)								
323,250	0	0	0	0	323,250	0	0	0
h. MSP Fiber Plant Upgrade – Maintenance (Restricted)								
26,750	0	0	0	0	26,750	26,750	0	0
i. Information Technology Service Upgrades (OTO)								
170,000	0	0	0	0	170,000	130,000	0	0
j. BOPP Software and Scanner (Restricted/OTO)								
12,927	0	0	0	0	12,927	12,927	0	0
k. Electronic Storage and Workflow (Restricted/OTO)								
150,000	0	0	0	0	150,000	150,000	0	0
l. Video Conferencing Expansion (OTO)								
54,000	0	0	0	0	54,000	0	0	0
m. Interoperable Communications (Biennial/OTO)								
2,622,424	0	0	0	0	2,622,424	0	0	0
2. Community Corrections (02)								
36,221,963	554,169	0	0	0	36,776,132	36,990,421	554,169	0
a. Annualize Prerelease Beds (Biennial)								
4,541,342	0	0	0	0	4,541,342	4,541,342	0	0
b. Annualize 120 Meth Beds (Biennial)								
4,255,360	0	0	0	0	4,255,360	4,258,232	0	0
c. Annualize START Beds (Biennial)								
1,231,015	0	0	0	0	1,231,015	1,231,015	0	0
d. Annualize Conn/WATCH/BASC Beds (Biennial)								
2,382,684	0	0	0	0	2,382,684	2,382,684	0	0
e. Additional 80 Prerelease Beds, NW MT (Biennial)								

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
3.												
	0	0	0	0	0	0	1,186,250	0	0	0	0	1,186,250
Secure Facilities (03) (Biennial)												
68,527,667	100,000	0	0	0	0	68,627,667	68,665,451	100,000	0	0	0	68,765,451
a.												
MSP Supplies (OTO)												
356,155	0	0	0	0	0	356,155	0	0	0	0	0	0
b.												
MSP Supplies, New (OTO)												
140,348	0	0	0	0	0	140,348	0	0	0	0	0	0
c.												
MSP Staff Transportation (Restricted/OTO)												
161,223	0	0	0	0	0	161,223	161,223	0	0	0	0	161,223
d.												
MWP Security/Training Equipment (Restricted/OTO)												
152,915	0	0	0	0	0	152,915	0	0	0	0	0	0
e.												
Secure Care Provider Rate Increase (Biennial)												
3,140,760	0	0	0	0	0	3,140,760	4,085,831	0	0	0	0	4,085,831
f.												
Adjust Contract Beds Population Growth (Biennial)												
4,227,300	0	0	0	0	0	4,227,300	12,053,213	0	0	0	0	12,053,213
g.												
MSP Replacement Equipment (OTO)												
162,500	0	0	0	0	0	162,500	216,000	0	0	0	0	216,000
h.												
Montana State Prison, Additional FTE (Restricted)												
618,319	0	0	0	0	0	618,319	639,960	0	0	0	0	639,960
i.												
SB 547 – Additional Sex Offender Treatment Hours												
492,158	0	0	0	0	0	492,158	1,359,997	0	0	0	0	1,359,997
4.												
Montana Correctional Enterprises (04)												
2,328,983	1,793,160	0	466,488	0	0	4,588,631	2,331,460	1,793,161	0	467,048	0	4,591,669
5.												
Juvenile Corrections (05)												
18,088,134	850,885	223,376	0	0	0	19,162,395	18,145,703	850,885	223,376	0	0	19,219,964

General Fund	State Special Revenue	Fiscal 2008			Total	General Fund	State Special Revenue	Fiscal 2009			Total
		Federal Special Revenue	Proprietary	Other				Federal Special Revenue	Proprietary	Other	
a.	RYCF Safety and Security Equipment (OTO)										
60,100	0	0	0	0	60,100	0	0	0	0	0	0
b.	Juvenile Reentry Program (Restricted/OTO)										
878,348	0	0	0	0	878,348	878,544	0	0	0	0	878,544
c.	RYCF Commercial Kitchen Equipment (OTO)										
35,000	0	0	0	0	35,000	0	0	0	0	0	0
d.	PHYCF Safety and Security Equipment (Restricted/OTO)										
161,000	0	0	0	0	161,000	0	0	0	0	0	0
e.	PHYCF Gym Floor Replace (Restricted/OTO)										
140,000	0	0	0	0	140,000	0	0	0	0	0	0
f.	PHYCF Laundry Equipment (OTO)										
50,900	0	0	0	0	50,900	0	0	0	0	0	0
g.	Youth Corrections Facilities, Additional FTE (Restricted)										
245,000	0	0	0	0	245,000	245,000	0	0	0	0	245,000
h.	SB 146 – Transportation From Youth Secure Facility										
2,501	0	0	0	0	2,501	2,501	0	0	0	0	2,501
Total											
166,072,404	3,760,674	223,376	542,069	0	170,598,723	173,681,374	3,648,217	223,376	542,089	0	178,095,056

General fund money in MSP Staff Transportation for fiscal year 2009 is contingent upon the nonavailability of federal grant funds to support MSP Staff Transportation and must be reduced dollar-for-dollar by the amount of any federal grant funds received to support MSP Staff Transportation.

Funding in Montana State Prison, Additional FTE may be used only to fund additional positions for existing operations at Montana state prison as of March 28, 2007.

General fund money in Juvenile Reentry Program is contingent upon the nonavailability of federal grant funds to support Juvenile Reentry Program and must be reduced dollar-for-dollar by the amount of any federal grant funds received to support Juvenile Reentry Program.

Funding in Youth Corrections Facilities, Additional FTE may be used only to fund additional positions for existing operations at Pine Hills youth correctional facility and Riverside

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
youth corrections facility as of March 28, 2007.												
DEPARTMENT OF LABOR AND INDUSTRY (6602)												
1.	Workforce Services Division (01)											
	727,877	8,028,924	20,040,165	0	0	28,796,966	729,205	7,992,002	20,099,487	0	0	28,820,694
a.	Increase Payment to Advisory Board Members – SB 62											
	0	0	3,900	0	0	3,900	0	0	3,998	0	0	3,998
b.	Revise Membership of Workforce Investment Boards – SB 440											
	0	0	7,422	0	0	7,422	0	0	7,422	0	0	7,422
2.	Unemployment Insurance Division (02)											
	0	1,625,775	9,875,993	0	0	11,501,768	0	3,041,210	8,244,998	0	0	11,286,208
a.	Mainframe Tax System Replacement Feasibility Study (Biennial)											
	0	0	1,000,000	0	0	1,000,000	0	0	0	0	0	0
3.	Commissioner's Office/Centralized Services Division (03)											
	251,280	686,161	476,081	83,527	0	1,497,049	253,933	695,520	478,008	86,136	0	1,513,597
4.	Employment Relations Division (04)											
	1,066,061	8,767,704	748,599	0	0	10,582,364	1,071,903	8,805,686	753,972	0	0	10,631,561
a.	Increase Payment to Advisory Board Members – SB 62											
	0	1,500	0	0	0	1,500	0	1,538	0	0	0	1,538
5.	Business Standards Division (05)											
	0	13,808,158	0	0	0	13,808,158	0	13,881,321	0	0	0	13,881,321
a.	Legal Contingency (Restricted/OTO)											
	0	70,000	0	0	0	70,000	0	70,000	0	0	0	70,000
b.	Revise Nursing Home Administration Laws – HB 378											
	0	1,188	0	0	0	1,188	0	1,188	0	0	0	1,188
c.	License and Regulate Athletic Trainers – HB 665											

	General Fund	Fiscal 2008				Fiscal 2009						
		State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
	0	50,732	0	0	0	50,732	0	46,229	0	0	0	46,229
d.		Alternative Adolescent Registration – HB 769										
	0	800	0	0	0	800	0	15,382	0	0	0	15,382
e.		Increase Payment to Advisory Board Members – SB 62										
	0	500	0	0	0	500	0	512	0	0	0	512
f.		Revise Professional and Occupational Licensing Laws -- SB 153										
	0	11,290	0	0	0	11,290	0	11,290	0	0	0	11,290
g.		Board of Private Security Patrol Officers -- SB 209										
	0	1,947	0	0	0	1,947	0	1,105	0	0	0	1,105
6.		Office of Community Services (07)										
	125,000	75,000	2,915,678	0	0	3,115,678	125,000	75,000	2,917,966	0	0	3,117,966
a.		Conference on Race (Biennial)										
	0	50,000	0	0	0	50,000	0	0	0	0	0	0
7.		Workers' Compensation Count (09)										
	0	610,851	0	0	0	610,851	0	616,704	0	0	0	616,704
Total												
	2,170,218	33,790,530	35,067,838	83,527	0	71,112,113	2,180,041	35,254,687	32,505,851	86,136	0	70,026,715

If Senate Bill No. 153 of the 2007 regular session is not passed and approved, **Revise Professional and Occupational Licensing Laws--SB 153 is void.**

DEPARTMENT OF MILITARY AFFAIRS (6701)

- | 1. Centralized Services (01) | | | | | | | | | | |
|--|---|---------|---|---|-----------|---------|---|---------|---|-----------|
| 551,113 | 0 | 491,330 | 0 | 0 | 1,042,443 | 553,562 | 0 | 492,342 | 0 | 1,045,904 |
| a. Legislative Audit (Restricted/Biennial) | | | | | | | | | | |
| 3,986 | 0 | 0 | 0 | 0 | 3,986 | 0 | 0 | 0 | 0 | 0 |
| b. Upgrade Department Server (OTO) | | | | | | | | | | |

	Fiscal 2008					Fiscal 2009				
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Total
25,000	0	0	0	0	25,000	0	0	0	0	0
2. Challenge Program (02)										
1,225,995	0	1,878,763	0	0	3,104,758	1,231,895	0	1,879,029	0	3,110,924
a. Legislative Audit (Restricted/Biennial)										
2,278	0	3,416	0	0	5,694	0	0	0	0	0
3. National Guard Scholarship Program (03) (Biennial)										
250,000	0	0	0	0	250,000	250,000	0	0	0	250,000
4. Army National Guard Program (12)										
1,161,682	12,000	12,723,759	0	0	13,897,441	1,173,167	12,000	12,792,176	0	13,977,343
a. Legislative Audit (Restricted/Biennial)										
7,893	0	27,032	0	0	34,925	0	0	0	0	0
5. Air National Guard Program (13)										
374,568	0	4,546,473	0	0	4,921,041	378,539	0	4,627,230	0	5,005,769
a. Legislative Audit (Restricted/Biennial)										
633	0	3,100	0	0	3,733	0	0	0	0	0
6. Disaster and Emergency Services (21)										
1,046,944	334,408	1,688,082	0	0	3,069,434	1,049,782	334,408	1,691,097	0	3,075,287
a. Legislative Audit (Restricted/Biennial)										
2,689	0	8,193	0	0	10,882	0	0	0	0	0
b. Upgrade GIS Hardware and Software (OTO)										
12,000	0	0	0	0	12,000	0	0	0	0	0
7. Veterans' Affairs Program (31)										
686,682	1,073,145	0	0	0	1,759,827	686,990	1,079,162	0	0	1,766,152
a. Legislative Audit (Restricted/Biennial)										
2,151	1,898	0	0	0	4,049	0	0	0	0	0

	Fiscal 2008				Fiscal 2009							
	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Propri- etary</u>	<u>Other</u>	<u>Total</u>	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>	<u>Propri- etary</u>	<u>Other</u>	<u>Total</u>
Total	5,353,614	1,421,451	21,370,148	0	0	28,145,213	5,323,935	1,425,570	21,481,874	0	0	28,231,379
TOTAL SECTION D												
204,204,941	81,834,757	65,118,393	2,340,226	0	353,498,317	207,653,083	83,961,733	62,677,225	2,318,160	0	356,610,201	

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Other	Total			Other
								Total
E. EDUCATION								
OFFICE OF SUPERINTENDENT OF PUBLIC INSTRUCTION (3501)								
1. OPI Administration (06)								
5,186,912	230,007	12,673,034	0	0	18,089,953	5,253,000	230,257	12,737,406
a. K-12 Education Data Systems (Restricted/Biennial)								0
1,866,814	0	0	0	0	1,866,814	1,592,133	0	0
b. Curriculum Specialists (Restricted/Biennial)								0
959,700	0	0	0	0	959,700	924,816	0	0
c. Storage Area Network (SAN) Replacement (Resinded/OTO)								0
160,000	0	0	0	0	160,000	0	0	0
d. Indian Education for All and Indian Achievement Gap (Restricted/Biennial)								0
1,665,351	0	0	0	0	1,665,351	1,665,570	0	0
e. Indian Education for All Tribal History (Restricted/Biennial/OTO)								0
237,500	0	0	0	0	237,500	237,500	0	0
2. Distribution to Public Schools (09)								0
0	0	139,285,243	0	0	139,285,243	0	0	145,148,901
a. Base Aid (Restricted)								0
515,121,189	0	0	0	0	515,121,189	531,803,079	0	0
b. Special Education (Restricted)								0
40,434,302	0	0	0	0	40,434,302	41,647,331	0	0
c. Transportation (Restricted)								0
12,472,550	0	0	0	0	12,472,550	12,572,550	0	0
d. School Facility Payment (Restricted)								0
10,509,037	0	0	0	0	10,509,037	10,509,037	0	0

		Fiscal 2008				Fiscal 2009						
		State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
e.	In-State Treatment (Restricted)											
	974,896	0	0	0	0	974,896	974,896	0	0	0	0	974,896
f.	Secondary Vo-Ed (Restricted)											
	1,000,000	0	0	0	0	1,000,000	1,000,000	0	0	0	0	1,000,000
g.	Adult Basic Ed (Restricted)											
	525,000	0	0	0	0	525,000	525,000	0	0	0	0	525,000
h.	Gifted and Talented (Restricted)											
	250,000	0	0	0	0	250,000	250,000	0	0	0	0	250,000
i.	Gifted and Talented (Restricted/OTO)											
	1,000,000	0	0	0	0	1,000,000	1,000,000	0	0	0	0	1,000,000
j.	School Foods (Restricted)											
	648,655	0	0	0	0	648,655	648,655	0	0	0	0	648,655
k.	HB 124 Block Grants (Restricted)											
	50,979,326	0	0	0	0	50,979,326	51,366,769	0	0	0	0	51,366,769
l.	State Tuition Payments (Restricted)											
	606,138	0	0	0	0	606,138	606,138	0	0	0	0	606,138
m.	Traffic Safety (Restricted)											
	0	750,000	0	0	0	750,000	0	750,000	0	0	0	750,000
n.	Full-Time Kindergarten Startup Costs (Restricted/Biennial/OTO)											
	10,000,000	0	0	0	0	10,000,000	0	0	0	0	0	0
o.	At-Risk Payment (Restricted)											
	5,000,000	0	0	0	0	5,000,000	5,000,000	0	0	0	0	5,000,000
p.	Indian Education for All Payment (Restricted/OTO)											
	1,500,000	0	0	0	0	1,500,000	1,500,000	0	0	0	0	1,500,000

	General Fund	Fiscal 2008			Total	General Fund	Fiscal 2009			Total	Other	Total
		State Special Revenue	Federal Special Revenue	Propri- etary			State Special Revenue	Federal Special Revenue	Propri- etary			
1. OCHE -- Administration (01)												
1,767,701	0	278,082	101,145	0	2,146,928	1,776,892	0	278,081	101,143	0	0	2,156,116
a. Legislative Audit (Restricted/Biennial)												
37,980	0	0	0	0	37,980	0	0	0	0	0	0	0
b. Transferability of Student Data (OTO)												
979,099	0	0	0	0	979,099	0	0	0	0	0	0	0
c. Moving Expenses (OTO)												
30,000	0	0	0	0	30,000	0	0	0	0	0	0	0
d. Coordinate and Expand Distance Learning (OTO)												
225,000	0	0	0	0	225,000	225,000	0	0	0	0	0	225,000
e. Rent Increase (Restricted)												
13,356	0	0	0	0	13,356	54,420	0	0	0	0	0	54,420
f. Transferability of Student Data												
312,000	0	0	0	0	312,000	253,901	0	0	0	0	0	253,901
g. Coordinate and Expand Distance Learning												
225,000	0	0	0	0	225,000	225,000	0	0	0	0	0	225,000
2. OCHE -- Student Assistance Program (02)												
4,077,289	100,000	232,915	0	0	4,410,204	4,078,389	100,000	232,915	0	0	0	4,411,304
a. Governor's Postsecondary Scholarship Program (Restricted)												
1,530,000	0	0	0	0	1,530,000	2,510,000	0	0	0	0	0	2,510,000
b. WICHE/WWAMI/MN Dental Program												
5,197,136	0	0	0	0	5,197,136	5,382,581	0	0	0	0	0	5,382,581
3. OCHE -- Improving Teacher Quality (03)												
0	0	385,000	0	0	385,000	0	0	395,000	0	0	0	395,000

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total				Total
4. OCHE -- Community College Assistance (04) (Biennial)								
8,254,210	0	0	0	8,254,210	8,390,361	0	0	8,390,361
a. Legislative Audit (Restricted/Biennial)								
27,936	0	0	0	27,936	0	0	0	0
b. Community College Assistance (Restricted/OTO)								
450,000	0	0	0	450,000	450,000	0	0	450,000
5. OCHE -- Talent Search (06)								
72,848	0	4,467,217	0	4,540,065	72,881	0	4,471,456	4,544,337
6. OCHE -- Workforce Development (08)								
91,092	0	6,307,643	0	6,398,735	91,092	0	6,309,109	6,400,201
7. OCHE -- Appropriation Distribution Transfers (09)								
116,549,958	17,285,323	0	0	133,835,281	122,289,766	16,089,436	0	138,379,202
a. Legislative Audit (Restricted/Biennial)								
575,741	0	0	0	575,741	0	0	0	0
b. Property Tax Reimbursement -- House Bill No. 10								
71,774	0	0	0	71,774	195,496	0	0	195,496
c. Equipment and Technology (OTO)								
2,000,000	2,000,000	0	0	4,000,000	0	0	0	0
d. Workforce Training -- Program Development (OTO)								
1,500,000	0	0	0	1,500,000	0	0	0	0
e. Research Agencies Equipment (OTO)								
1,000,000	0	0	0	1,000,000	0	0	0	0
f. High School Honors Tuition Waivers (OTO)								
0	500,000	0	0	500,000	0	500,000	0	500,000
g. Dental Hygiene Program at Great Falls College of Technology (Restricted)								

	General Fund	Fiscal 2008				Fiscal 2009			
		State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
	235,000	0	0	0	235,000	235,000	0	0	0
h. Agriculture Experiment Station									
11,766,373	0	0	0	0	11,766,373	11,810,719	0	0	0
i. Agriculture Experiment Station Additional Appropriation									
50,000	0	0	0	0	50,000	50,000	0	0	0
j. Extension Service									
5,567,713	0	0	0	0	5,567,713	5,590,824	0	0	0
k. Forest and Conservation Experiment Station									
1,094,186	0	0	0	0	1,094,186	1,103,415	0	0	0
l. Bureau of Mines and Geology									
1,820,060	666,000	0	0	0	2,486,060	1,888,718	666,000	0	0
m. Fire Services Training School									
758,739	0	0	0	0	758,739	723,023	0	0	0
n. Yellow Bay Biological Station (Restricted)									
125,000	0	0	0	0	125,000	125,000	0	0	0
o. MSU-Northern Science and Water Programs (Restricted)									
240,000	0	0	0	0	240,000	240,000	0	0	0
p. MSU-Bozeman – PBS Television Satellite Delivery System (Restricted/Biennial/OTO)									
400,000	0	0	0	0	400,000	0	0	0	0
q. University of Montana-Missoula Speech Pathology Program (Restricted/Biennial/OTO)									
700,000	0	0	0	0	700,000	0	0	0	0
r. Montana Tech Advanced Nursing Workforce Program (Restricted/OTO)									
40,000	0	0	0	0	40,000	40,000	0	0	0
8. Tribal College Assistance Program (11) (Biennial)									
450,000	0	0	0	0	450,000	450,000	0	0	0

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
a. Nonbeneficiary Assistance (OTO)								
507,000	0	0	0	0	507,000	0	0	0
9. OCHE -- Guaranteed Student Loan (12)								
0	0	48,832,760	0	0	48,832,760	0	51,707,217	0
a. Legislative Audit (Restricted/Biennial)								
0	0	18,961	0	0	18,961	0	0	0
10. OCHE -- Board of Regents (13)								
31,801	0	0	0	0	31,801	0	0	0
Total	168,773,992	20,551,323	60,522,578	101,145	0	249,949,038	168,791,279	17,355,436

Items designated as OCHE--Administration (01), Student Assistance Program (02), Improving Teacher Quality (03), Talent Search (06), Workforce Development (08), Appropriation Distribution Transfers (09) [excluding Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, Bureau Ground Water Program, and Fire Services Training School], Guaranteed Student Loan (12), and Board of Regents (13) are a single biennial lump-sum appropriation.

General fund money, state and federal special revenue, and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs (5100). All other public funds received by units of the Montana university system (other than plant funds appropriated in [LC 3], relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(13), according to board policy.

The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g.

The Montana university system shall provide the electronic data required for human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must reflect approved board of regents operating budgets.

Item OGH-E-Administration (04) includes an appropriation for a new, indirect cost-recovery plan that includes funding for a report from the commissioner of higher education, by August 2008, to the education and local government interim committee on the status and funding for the indirect cost-recovery plan that includes a recommendation for funding that plan in

	<u>Fiscal 2008</u>				<u>Fiscal 2009</u>			
	State	Federal	General	Proprietary	State	Federal	General	Proprietary
	Revenue	Special Revenue	Fund	Revenue	Special Revenue	Special Revenue	Fund	Revenue
Total			Total					
Operating	67,000	1,000	68,000	67,000	67,000	1,000	68,000	67,000
Capital	1,000	1,000	2,000	1,000	1,000	1,000	2,000	1,000
Debt Service	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	68,000	2,000	70,000	68,000	68,000	2,000	70,000	68,000

~~the 2014 biennium:~~

If the legislature does not amend Governor's Postsecondary Scholarship Program to expand the number or size of the scholarship awards authorized in Title 20, chapter 26, part 6, this item is reduced by \$250,000 in fiscal year 2008 and \$500,000 in fiscal year 2009, and OCHE—Student Assistance Program is increased by \$139,768 in general fund money in fiscal year 2008 and \$221,900 in general fund money in fiscal year 2009 to support the Montana higher education grant (MHEG) program.

WIC/FAMM/AM/UMN Dental Program is restricted so that any surplus funding may be transferred only to other student financial aid programs in Program 02.

Contingent upon passage and approval of an educator loan assistance program by the 2007 legislature, there is appropriated \$1.05 million in general fund money in the 2009 biennium to fund that program.

The variable cost of education for each full-time equivalent student at the community colleges, including Summitnet, is \$1,815 each year of the 2009 biennium. The general fund appropriation for OCHE--Community College Assistance (04) provides 48.5% of the fixed cost of education plus 48.5% of the variable cost of education for each full-time equivalent student in fiscal year 2008 and 49.3% of the fixed cost of education plus 49.3% of the variable cost of education for each full-time equivalent student in fiscal year 2009. The remaining percentage of the budget must be paid from funds other than those appropriated for OCHE--Community College Assistance.

The general fund appropriation for OCHE–Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 2,411 resident FTE students in both fiscal year 2008 and fiscal year 2009. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated number for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142.

Total audit costs are estimated to be \$57,600 for the community colleges for the biennium. The general fund appropriation for each community college provides 48.5% of the total audit costs in the 2009 biennium. The remaining 51.5% of these costs must be paid from funds other than those appropriated for OCHE—Community College Assistance. Audit costs for the biennium may not exceed \$18,500 for Dawson, \$16,600 for Miles, and \$22,500 for Flathead Valley community college.

Community College Assistance will be distributed to the three community colleges equally for new program development or capital investments.

The legislature defines rates for the Montana university system self-funded workers' compensation program to mean the amount necessary to maintain the plan on an actuarially sound basis.

Revenue anticipated to be received by the Montana university system units and colleges of technology include interest earnings and other revenue of \$2,136,468 each year of the 2009 biennium. These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in OCHE.

Revenue anticipated to be received by the agriculture experiment station includes:

- (1) interest earnings and other revenue of \$60,308 each year of the 2009 biennium; and

Fiscal 2008				Fiscal 2009			
General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
				Total	Other	Total	Other

(2) federal revenue of \$2,098,417 in fiscal year 2008 and \$2,109,926 in fiscal year 2009.

Revenue anticipated to be received by the extension service includes:

(1) interest earnings of \$20,133 each year of the 2009 biennium; and

(2) federal revenue of \$2,429,908 in fiscal year 2008 and \$2,437,119 in fiscal year 2009.

Anticipated interest revenue of \$692 in each year of the 2009 biennium is appropriated to the forest and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE--Appropriation Distribution Transfers.

Anticipated sales revenue of \$36,828 in fiscal year 2008 and \$37,983 in fiscal year 2009 is appropriated to the Bureau of Mines and Geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE--Appropriation Distribution Transfers.

Anticipated interest revenue of \$943 each year of the 2009 biennium is appropriated to Fire Services Training School for current unrestricted operating expenses. This amount is in addition to that shown in OCHE--Appropriation Distribution Transfers.

OCHE--Appropriation Distribution Transfers includes \$932,200 for the 2009 biennium that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program. The costs of this transfer in each year of the biennium are: university of Montana-Missoula, \$104,000 in fiscal year 2008 and \$95,000 in fiscal year 2009; Montana tech of the university of Montana, \$31,800 in fiscal year 2008 and \$31,800 in fiscal year 2009; Montana state university-northern, \$69,200 in fiscal year 2008 and \$60,200 in fiscal year 2009; Montana state university-Bozeman, \$58,000 in fiscal year 2008 and \$58,000 in fiscal year 2009; Montana state university-Billings, \$105,500 in fiscal year 2008 and \$105,500 in fiscal year 2009; and western Montana college of the university of Montana, \$108,650 in fiscal year 2008 and \$108,150 in fiscal year 2009.

The Montana university system shall pay \$88,506 for the 2009 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

Property Tax Reimbursement is contingent upon passage and approval of House Bill No. 10.

Upon passage and approval of House Bill No. 116 of the 2007 regular session and subject to available funds, the following decision packages are approved and the amounts are appropriated to the bureau of mines and geology from the natural resources operations state special revenue account:

DP 1 - Maintain program funding: The legislature approved \$174,114 in state special revenue in the 2009 biennium to restore one-time program funding increases approved in the 2007 biennium.

DP 2 - Support proposed pay plans: The legislature approved \$97,540 in state special revenue in the 2009 biennium to support personal services present law increases.

DP 3 - Operations support. The legislature approved \$8,070 in state special revenue in the 2009 biennium to support a 2% annual increase in gasoline and other operations

	Fiscal 2008				Fiscal 2009							
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
costs.												
Of the \$2 million 6-mill levy and \$2 million general fund appropriation for equipment and technology in Equipment and Technology, \$1.75 million must be matched on a one-to-one basis from nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education in consultation with the state workforce investment board (SWIB), must require this one-to-one funding match by applicants and give scoring priority to grants that include matching funds. Matching funds may include federal revenue, private revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source. This appropriation is restricted so that 6-mill levy revenue may not be awarded to the community colleges.												
Of the \$1.5 million general fund appropriation for high demand programs in Workforce Training--Program Development, \$700,000 must be matched by no less than one-half the appropriation amount, with nonstate funds identified by the board of regents. The grant process for distributing these funds, administered by the office of the commissioner of higher education in consultation with the state workforce investment board (SWIB), must require this funding match ratio and give scoring priority to grants that include matching funds. Matching funds may include federal revenue, private revenue, and other nonstate university funds. The funding match may include in-kind revenue only if that revenue is equipment itself, cost reductions offered for purchased equipment, or space to house equipment. The office of the commissioner of higher education shall certify to the office of budget and program planning that an allowable funding match has been committed from an eligible revenue source, as evidenced by a commitment letter from that funding source.												
Yellow Bay Biological Station is restricted; \$100,000 each fiscal year is restricted to laboratory work associated with Flathead basin water quality monitoring, and \$25,000 each fiscal year is restricted to limnological investigations on Whitefish Lake in partnership with the Whitefish Lake institute.												
MSU-Northern Science and Water Programs is contingent upon passage and approval of House Bill No. 116 of the 2007 regular session.												
Montana Tech Advanced Nursing Workforce Program is restricted to funding the costs to the university system associated with courses at Montana tech for advanced nursing students' transition to the workforce in partnership with the St. James healthcare foundation.												
SCHOOL FOR THE DEAF AND BLIND (5113)												
1. Administration Program (01)												
413,290		2,160	0	0	0	415,450	413,914	2,160	0	0	0	416,074
a. Legislative Audit (Restricted/Biennial)												
31,634	0	0	0	0	0	31,634	0	0	0	0	0	0
2. General Services Program (02)												

	Fiscal 2008				Fiscal 2009			
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	General Fund	State Special Revenue	Federal Special Revenue	Proprietary
	538,636	0	0	0	538,636	534,971	0	0
3. Student Services (03)								
	1,232,083	0	27,187	0	1,259,270	1,240,612	0	0
4. Education (04)								
	2,731,439	416,764	73,517	0	3,221,720	2,861,186	291,764	0
a. Expansion of Outreach Services (Reporting)								
	227,663	0	0	0	227,663	221,509	0	0
b. Retention/Recruitment of Highly Qualified Staff (Reporting)								
	213,857	0	0	0	213,857	265,050	0	0
Total	5,388,602	418,924	100,704	0	5,908,230	5,537,242	293,924	0
The student services program includes general fund money of \$7,669 in fiscal year 2008 and \$7,823 in fiscal year 2009 for increases to the quality educator component. The education program includes general fund money of \$13,058 in fiscal year 2008 and \$12,904 in fiscal year 2009 for increases to the quality educator component. The quality educator component increases are contingent upon passage and approval of legislation that increases the total quality educator payment as defined in 20-9-306(15).								
MONTANA ARTS COUNCIL (5114)								
1. Promotion of the Arts (01)								
	430,418	179,640	580,895	0	1,190,953	421,830	184,707	0
a. Legislative Audit (Restricted/Biennial)								
	9,047	3,907	7,608	0	20,562	0	0	0
b. Rent and Moving Expenses (Restricted)								
	24,978	16,836	11,578	0	53,392	21,312	17,344	0
c. Database Rewrite (OTO)								
	73,920	0	0	0	73,920	0	0	0

	Fiscal 2008					Fiscal 2009						
	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total	General Fund	State Special Revenue	Federal Special Revenue	Propri- etary	Other	Total
Total	538,363	200,383	600,081	0	0	1,338,827	443,142	202,051	601,326	0	0	1,246,519
All federal funds in Montana Arts Council are biennial appropriations.												
MONTANA STATE LIBRARY COMMISSION (5115)												
1. Statewide Library Resources (01)												
1,970,230	941,517	635,712	0	0	0	3,547,459	2,228,762	941,517	637,040	0	0	3,807,319
a. Legislative Audit (Restricted/Biennial)												
18,980	0	0	0	0	0	18,980	0	0	0	0	0	0
b. GIS Metadata Portal (Restricted)												
150,000	0	0	0	0	0	150,000	150,000	0	0	0	0	150,000
c. LSTA Grants (Biennial)												
0	0	916,251	0	0	0	916,251	0	0	191,220	0	0	191,220
d. Library Federation Support (Biennial)												
205,662	0	0	0	0	0	205,662	0	0	0	0	0	0
e. Increase Library Federation Support												
0	113,495	0	0	0	0	113,495	0	113,495	0	0	0	113,495

Total

2,344,872 1,055,012 1,551,963 0 0 4,951,847 2,378,762 1,055,012 828,260 0 0 4,262,034

The Increase Library Federation Support appropriation of \$113,495 in state special revenue derived from the coal tax shared revenue account is contingent upon revenue estimates of \$2,061,000 in fiscal year 2008 and \$1,975,000 in fiscal year 2009 in the coal tax shared revenue account. If the revenue to the account is higher than anticipated, Increase Library Federation Support is increased by 27.26% of additional revenue, up to a maximum of an additional \$21,505 of state special revenue each year of the biennium.

MONTANA HISTORICAL SOCIETY (5117)

1. Administration Program (01)

1,184,821 84,991 130,619 376,312 0 1,776,743 1,191,328 85,018 130,619 390,938 0 1,797,903

	Fiscal 2008					Fiscal 2009					
	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	Other	Total
a.	Legislative Audit (Restricted/Biennial)										
34,798		0	0	0	0	34,798	0	0	0	0	0
b.	Computer Replacement (Restricted)										
19,200		0	0	0	0	19,200	19,200	0	0	0	19,200
2.	Library Program (02)										
795,186		2,624	0	71,446	0	869,256	798,579	2,624	0	71,528	872,731
a.	TVMT (Restricted/Biennial/OTO)										
80,000		0	0	0	0	80,000	0	0	0	0	0
3.	Museum Program (03)										
327,022		498	0	10,000	0	337,520	312,137	498	0	10,000	322,635
4.	Publications (04)										
91,579		0	0	440,951	0	532,530	91,819	0	0	441,762	533,581
5.	Historic Preservation Program (06)										
157,036		0	474,338	5,000	0	636,374	158,471	0	477,348	5,000	640,819
Total											
2,689,642		88,113	604,957	903,709	0	4,286,421	2,571,534	88,140	607,967	919,228	4,186,869
TOTAL SECTION E											
841,038,844		23,463,621	215,338,560	1,004,854	0	1,080,845,879	849,009,605	20,149,728	223,418,341	1,020,371	1,093,598,045
TOTAL STATE FUNDING											
1,595,787,420		619,933,326	1,673,278,203	13,688,289	0	3,902,687,238	1,619,899,696	597,283,521	1,725,568,175	13,484,455	3,956,235,847

Section 10. Rates. Internal service fund type fees and charges established by the legislature for the 2009 biennium are as follows:

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>
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Department of Transportation – 5401**1. State Motor Pool**

a. Class 02 (small utilities)		
Per Hour Assigned	\$1.547	\$1.634
Per Mile Operated	\$0.158	\$0.160

b. Class 04 (large utilities)		
Per Hour Assigned	\$1.948	\$2.034
Per Mile Operated	\$0.200	\$0.202

c. Class 06 (midsize compact)		
Per Hour Assigned	\$1.393	\$1.404
Per Mile Operated	\$0.123	\$0.125

d. Class 07 (small pickups)		
Per Hour Assigned	\$1.528	\$1.578
Per Mile Operated	\$0.187	\$0.190

e. Class 11 (large pickups)		
Per Hour Assigned	\$1.432	\$1.434
Per Mile Operated	\$0.215	\$0.218

f. Class 12 (vans - all types)		
Per Hour Assigned	\$1.453	\$1.417
Per Mile Operated	\$0.181	\$0.183

2. Equipment Program

All of Program Operations	20-day working capital reserve
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Department of Revenue – 5801**1. Business and Income Taxes Division**

Delinquent Account Collection Fee (percent of amount collected)

Department of Administration -- 6101**1. Administration and Financial Services Division****a. SABHRS Services Bureau****Total Allocation of Costs**

\$6,774,746 5% \$6,616,145

b. Management Services Unit**Total Allocation of Costs**

\$987,261 \$996,441

Portion of Unit for Human Resources**Charge Per FTE of User Programs**

\$417 \$429

c. Warrant Writer**Mailer**

\$0.68860 \$0.69200

Mailer - PRD and TRS

\$0.27860 \$0.28200

Nonmailer

\$0.25840 \$0.26180

Emergency

\$4.78180 \$4.78090

Duplicates

\$5.59350 \$5.59260

Externals**Externals - Payroll**

\$0.23050 \$0.23390

Externals - Universities

\$0.19660 \$0.20000

Direct Deposit**Direct Deposit - Mailer**

\$0.64680 \$0.64450

Direct Deposit - Nonmailer

\$0.23870 \$0.22690

2. General Services Division**a. Facilities Management Bureau****Office Rent (per sq. ft.)**

\$8.179 \$8.592

Warehouse Rent (per sq. ft.)

\$4.209 \$4.547

Grounds Maintenance (per sq. ft.)

\$0.496 \$0.508

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>
Project Mgmt (in-house)	15%	15%
Project Mgmt (contracted)	5%	5%
b. Print and Mail Services		
Internal Printing		
Impression Cost		
1-20	\$0.0625	\$0.0625
21-100	\$0.0276	\$0.0276
101-1000	\$0.0159	\$0.0159
1001-5000	\$0.0064	\$0.0064
5001+	\$0.0032	\$0.0032
Collating Machine	\$0.0064	\$0.0064
Collating Hand	\$0.530	\$0.530
Stapling Hand	\$0.0159	\$0.0159
Stapling In-Line	\$0.0106	\$0.0106
Saddle Stitch	\$0.0318	\$0.0318
Folding (setup)	\$10.60	\$10.60
Folding	\$0.0053	\$0.0053
Folding Right Angle (setup)	\$10.60	\$10.60
Folding Right Angle	\$0.0053	\$0.0053
Folding In-Line	\$0.0318	\$0.0318
Punching Standard 3-Hole	\$0.00106	\$0.00106
Punching Nonstandard (setup)	\$3.18	\$3.18
Punching Nonstandard	\$0.00106	\$0.00106
Cutting	\$0.583	\$0.583
Padding	\$0.00212	\$0.00212
Scoring, Perforating, Numbering (setup plus duplicating rate)	\$5.30	\$5.30

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>
Perfect Binding (setup)	\$15.90	\$15.90
Perfect Binding	\$0.583	\$0.583
Tape Binding	\$0.530	\$0.530
Tabs	\$0.530	\$0.530
Transparencies	\$0.530	\$0.530
Shrink-Wrapping	\$0.265	\$0.265
Hand Bindery	\$0.530	\$0.530
Desktop	\$38.16	\$38.16
Negatives Stripped		
10x12	\$11.98	\$11.98
12x20	\$20.30	\$20.30
20x24	\$36.94	\$36.94
Negatives Stripped Halftone		
10x12	\$17.01	\$17.01
Negatives Stripped PMTs Positive		
10x12	\$7.05	\$7.05
12x20	\$14.15	\$14.15
20x24	\$28.30	\$28.30
Negatives Stripped PMTs Halftone		
10x12	\$10.76	\$10.76
Negatives Stripped Metal Plates		
8.5x11	\$10.60	\$10.60
11x17	\$21.20	\$21.20
Negatives Stripped Silver Plates		
8.5x11	\$8.48	\$8.48
11x17	\$9.54	\$9.54

Negatives Stripped CTP Plates

8.5x11

\$8.48 \$8.48

11x17

\$9.54 \$9.54

Programming Per Hour

Overtime Per Hour

\$20.00 \$20.00

Scan (each)

\$9.00 \$9.00

Proof (each)

\$0.25 \$0.25

Laminating

8.5x11 (each)

\$0.50 \$0.50

11x17 (each)

\$0.75 \$0.75

Color Copy

8.5x11 (each)

\$0.19 \$0.19

11x17 (each)

\$0.38 \$0.38

Large Format Color Per Foot

\$12.00 \$12.00

External Printing

Percent of Invoice Markup

6.36% 6.36%

Photocopy Pool

Copier Monthly Charge

Level 1

\$34.77 \$34.77

Level 2

\$115.40 \$115.40

Level 3

\$210.76 \$210.76

Level 4

\$250.93 \$250.93

Level 5

\$381.34 \$381.34

Level 6

\$526.70 \$526.70

Level 7

\$615.78 \$615.78

Optional Features for Digital Copiers

Level 1

Print Cost Per Page

\$0.0146

\$0.0146

Fax Cost Per Page

\$0.0146

\$0.0146

Print Option

\$18.29

\$18.29

Fax Option

\$14.63

\$14.63

Level 2

Print Cost Per page

\$0.0146

\$0.0146

Print Option

\$14.63

\$14.63

Fax Cost Per Page

\$0.0146

\$0.0146

Fax Option

\$21.94

\$21.94

Scan Option

\$14.63

\$14.63

Level 3

Print Cost Per Page

\$0.0146

\$0.0146

Print Option

\$28.65

\$28.65

Fax Cost Per Page

\$0.0146

\$0.0146

Fax Option

\$23.16

\$23.16

Scan Option

\$24.38

\$24.38

Level 4

Print Cost Per Copy

\$0.0146

\$0.0146

Print Option

\$28.65

\$28.65

Fax Cost Per Page

\$0.0146

\$0.0146

Fax Option

\$23.16

\$23.16

Scan Option

\$24.38

\$24.38

Level 5

Print Cost Per Page

\$0.0146

\$0.0146

Print Option

\$32.31

\$32.31

Fax Cost Per Page	\$0.0146	\$0.0146
Fax Option	\$23.16	\$23.16
Scan Option	\$32.31	\$32.31
Level 6		
Print Cost Per Page	\$0.0146	\$0.0146
Print Option	\$32.31	\$32.31
Fax Cost Per Page	\$0.0146	\$0.0146
Fax Option	\$23.16	\$23.16
Scan Option	\$32.31	\$32.31
Level 7		
Print Cost Per Page	\$0.0146	\$0.0146
Print Option	\$32.31	\$32.31
Fax Cost Per Page	\$0.0146	\$0.0146
Fax Option	\$23.16	\$23.16
Scan Option	\$32.31	\$32.31
Mail Preparation		
Tabbing	\$0.0106	\$0.0106
Labeling	\$0.0106	\$0.0106
Ink Jet	\$0.0318	\$0.0318
Inserting	\$0.0106	\$0.0106
Winsort	\$0.0530	\$0.0530
Mail Operations		
Service Type (each)		
Machinable	\$0.037	\$0.037
Nonmachinable	\$0.069	\$0.069
Postcards	\$0.042	\$0.042

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>
Certified Mail	\$0.530	\$0.530
Registered Mail	\$0.530	\$0.530
Internail Mail	\$0.318	\$0.318
Flats	\$0.095	\$0.095
Priority	\$0.530	\$0.530
Express Mail	\$0.530	\$0.530
USPS Parcels	\$0.265	\$0.265
Insured Mail	\$0.530	\$0.530
Media Mail	\$0.265	\$0.265
Standard Mail	\$0.159	\$0.159
Postage Due	\$0.053	\$0.053
Fee Due	\$0.053	\$0.053
Tapes	\$0.212	\$0.212
UPS Parcels	\$0.265	\$0.265
Interagency Mail		
Dollars-Yearly	\$225,998	\$225,998
Postal Contract (Capitol)		
Dollars-Yearly	\$41,315	\$41,315
c. Central Stores		
Markup as a Percent of Retail Cost of Goods Sold	25%	25%
3. Information Technology Services Division		
Desktop Services Rate (per statewide active directory account)	\$85.75	\$90.50
Electronic Government Transaction Fee (per website visit)		\$0.012
All Remaining Operations of the Division		30-day working capital reserve
4. State Personnel Division		
a. Intergovernmental Training		

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>
Open Enrollment Courses		
Two-Day Course (per participant)	\$182	\$185
One-Day Course (per participant)	\$115	\$118
Half-Day Course (per participant)	\$87	\$90
Eight-Day Management Series (per participant)	\$550	\$560
Six-Day Management Series (per participant)	\$425	\$430
Four-Day Administrative Assistant Series (per participant)	\$320	\$325
Contract Courses		
Full Day of Training (flat fee)	\$800	\$820
Half Day of Training (flat fee)	\$550	\$560
b. Payroll Processing		
Payroll Fees (per employee processed per pay period)	\$1.56	\$1.47
5. Risk Management & Tort Defense		
Auto Liability, Comprehensive, and Collision (total allocation to agencies)	\$1,146,000	\$1,146,000
Aviation (total allocation to agencies)	\$167,807	\$185,931
General Liability (total allocation to agencies)	\$7,124,500	\$7,124,500
Property/Miscellaneous (total allocation to agencies)	\$4,443,591	\$4,443,591
Department of Fish, Wildlife, and Parks -- 5201		
1. Vehicle and Aircraft Rates		
Per Mile Rates		
a. Sedans	\$0.36	\$0.38
b. Vans	\$0.40	\$0.42
c. Utilities	\$0.43	\$0.46
d. Pickup 1/2 ton	\$0.39	\$0.41
e. Pickup 3/4 ton	\$0.44	\$0.48
Per Hour Rates		

f. Two-Place Single Engine

\$75.05

\$90.06

g. Parnavia

\$357.34

\$428.80

h. Turbine Helicopters

\$417.46

\$480.08

2. Duplicating Center

Per Copy

a. 1-20

\$0.050

\$0.055

b. 21-100

\$0.035

\$0.040

c. 101-1000

\$0.030

\$0.035

d. 1001-5000

\$0.025

\$0.030

e. Color Copies

\$.25

\$.25

Bindery

a. Collating (per sheet)

\$0.005

\$0.005

b. Hand Stapling (per set)

\$0.015

\$0.015

c. Saddle Stitch (per set)

\$0.030

\$0.030

d. Folding (per set)

\$0.005

\$0.005

e. Punching (per set)

\$0.001

\$0.001

f. Cutting (per minute)

\$0.550

\$0.550

Warehouse Overhead Rate

5%

5%

Department of Environmental Quality - 5301

1. Indirect Rate

a. Personal Services

22.5%

21%

b. Operating Expenditures

3%

4%

Department of Natural Resources and Conservation - 5706

1. Air Operations Program

a. Bell UH-1/H Helicopters

\$1075.00

\$1075.00

b. Jet Ranger Helicopter

\$475.00

\$475.00

- c. Cessna 180 Series Aircraft

\$150.00 \$150.00

Department of Commerce - 6501

1. Board of Investments

For the purposes of [this act], the legislature defines "rates" as the total collections necessary to operate the board of investment at follows:

- a. Administration Charge (total) \$4,664,072 \$4,664,072

2. Management Services Indirect Charge Rate

14.00% 13.75%

Department of Justice – 4110

1. Agency Legal Services

- a. Attorney (per hour)

\$84.00 \$84.00

- b. Investigator (per hour)

\$50.00 \$50.00

Department of Corrections – 6401

1. Montana Correctional Enterprises

- a. Labor Charge for Motor Vehicle Maintenance (per hour)

\$26.50 \$26.50

- b. Supply Fee as a Percentage of Actual Cost of Parts

3% 3%

- c. Cook/Chill Rate - Base Tray Price (no delivery)

\$1.37/meal \$1.37/meal

- d. Delivery Charge per Trayed Meal Montana State Prison

\$0.01/meal \$0.01/meal

- e. Delivery Charge per Trayed Meal Riverside Youth Correctional Facility

\$0.64/meal \$0.64/meal

- f. Delivery Charge per Trayed Meal Helena Prerelease

\$0.64/meal \$0.64/meal

- g. Delivery Charge per Trayed Meal WATCH DUI Program

\$0.22/meal \$0.22/meal

- h. Delivery Charge per Trayed Meal - Methamphetamine Treatment Ctr.

\$0.64/meal \$0.64/meal

- i. Spoilage Percentage All Customers

4% 4%

Department of Labor and Industry – 6602

1. Centralized Services Division

- a. Cost Allocation Plan

9.125% 9.125%

2. Business Standards Division

- a. Recharge Rate

54% 54%

Office of Public Instruction – 3501

- 1. OPI Indirect-Cost Pool

Fiscal 2008

19.4%

Fiscal 2009

19.4%

-END-

GENERAL GOVERNMENT AND TRANSPORTATION

Section A

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Legislative Branch
Legislative Audit Division
Legislative Fiscal Division
Legislative Services Division
Consumer Counsel
Judiciary
Governor's Office
Secretary of State

Commissioner of Political Practices
State Auditor
Transportation
Revenue
Administration
Montana Consensus Council
Office of Public Defender

-----Committee Members-----

House

Representative Janna Taylor (Chair)
Representative Bill McChesney
Representative Jon Sesso
Representative John Sinrud

Senate

Senator Rick Laible
Senator Lane Larson
Senator Corey Stapleton
Senator Carol Williams

-----Fiscal Division Staff-----

Greg DeWitt
Pat Gervais
Kris Wilkinson

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	124.97	0.00	5.00	129.97	0.00	5.00	135.14	135.14
Personal Services	7,639,179	1,304,807	643,982	9,587,968	1,321,843	996,640	9,957,662	19,545,630
Operating Expenses	2,333,927	348,661	549,066	3,231,654	(17,728)	74,782	2,390,981	5,622,635
Equipment	21,693	68,307	59,500	149,500	38,307	0	60,000	209,500
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$9,994,799	\$1,721,775	\$1,252,548	\$12,969,122	\$1,342,422	\$1,071,422	\$12,408,643	\$25,377,765
General Fund	7,730,017	1,471,321	1,199,790	10,401,128	1,690,323	963,430	10,383,770	20,784,898
State/Other Special	2,264,782	250,454	52,758	2,567,994	(347,901)	107,992	2,024,873	4,592,867
Total Funds	\$9,994,799	\$1,721,775	\$1,252,548	\$12,969,122	\$1,342,422	\$1,071,422	\$12,408,643	\$25,377,765

Agency Description

The Legislative Branch consists of entities consolidated as provided in 5-2-503, MCA. The principal consolidated entities include the Senate, the House of Representatives, the Legislative Services Division, the Legislative Fiscal Division, and the Legislative Audit Division. The Senate and the House of Representatives together compose the Legislature which exercises the legislative power of state government, creates the laws of the state and appropriates funds for the functions of state government.

Standing and interim committees of the legislature, aided by supporting divisions of the Legislative Branch, monitor the functions of state government and report to the legislature. The Legislative Audit Committee, Legislative Council, and Legislative Finance Committee provide oversight and management of legislative divisions during the interim.

The budget for the three staff divisions and legislative interim work is presented in HB 2. The budget for House and Senate activity is presented in HB 1, the "feed bill."

Agency Highlights

Legislative Branch Major Budget Highlights	
♦	The Legislative Branch budget increases are primarily due to \$1.4 million in new proposals, a branch pay and classification market revision, and annualization of the 2007 biennium statewide pay plan
♦	New proposals are primarily related to: <ul style="list-style-type: none"> • 5.0 FTE for information management and information technology development/security • Provision of computers/information technology access to legislators • Expanded legislative participation in regional and interstate cooperative organizations • Funding for TVMT coverage of the 2009 session and interim

Summary of Legislative Action

The legislature approved a budget that maintains operations of the Legislative Fiscal Division and the Legislative Audit Division primarily at present law levels. Legislative Services Division increases include: 1) \$365,021 and 2.00 FTE for legislative control over its information technology environment; 2) \$200,000 for TVMT coverage of the 2009 Legislative

Session and interim; 3)\$123,256 and 1.00 FTE for a legislative information officer; 4)\$75,000 for a technology allowance for legislators during the 2009 Legislature; and 5)\$74,188 and 2.00 FTE for computer security and disaster recovery.

The \$3.0 million in present law adjustments includes \$2.8 million in statewide present law adjustments and \$0.2 million for program operations relating to the interim and legislative session. The branch implemented a revised pay and classification plan to achieve market equity in FY 2006.

Agency Discussion

The Legislative Branch (branch) business cycle is biennial, related to the cyclical nature of legislative sessions, production and publication of the Montana Codes Annotated, interim study committees and activities, and biennial audit work. As such, the Legislative Branch receives biennial appropriations. However, as a means to facilitate comparison, the budget is presented in annual format for budget review. Changes to the base year reflect the difference of activity from legislative session to interim years. Comparisons to the base year give a distorted picture in that session costs are not in the budget base year (even years), yet recur every other year (odd year). A biennium-to-biennium comparison provides a more accurate comparison.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget				
Agency Program	General Fund	State Spec.	Grand Total	Total %
20 Legislative Services Division	\$ 11,780,277	\$ 1,227,817	\$ 13,008,094	51.26%
21 Legis. Committees & Activities	1,194,478	-	1,194,478	4.71%
27 Fiscal Analysis & Review	3,138,020	-	3,138,020	12.37%
28 Audit & Examination	4,672,123	3,365,050	8,037,173	31.67%
Grand Total	<u>\$ 20,784,898</u>	<u>\$ 4,592,867</u>	<u>\$ 25,377,765</u>	100.00%

The Legislative Branch is funded 83.7 percent general fund and 16.3 percent state special revenue. The state special revenues support the costs associated with the state broadcasting service; the preparation, publication, and distribution of Montana Code Annotated text and annotations; and the financial-compliance component of the Legislative Audit Division.

The Legislative Branch budget is presented in an annual format for budget review only. The budget is established as biennial to respond to the need to manage the branch cyclical expenditures and revenues associated with the legislative session process.

Other Legislation

House Bill 49 requires the Education and Local Government Interim Committee to appoint a subcommittee to conduct a study of local government special purpose districts. HB 49 allocates up to \$20,000 of general fund over the biennium to the Legislative Services Division to conduct the study.

House Bill 139 established a Legislative Branch retirement termination reserve account in the state special revenue fund. Money deposited into the account is statutorily appropriated to the Legislative Services Division to be used for staff retirement termination pay. For the 2009 biennium \$400,000 of general fund is to be transferred into the account.

House Bill 304 creates a Water Policy Interim Committee to conduct a detailed analysis and study of issues related to water quantity, quality, and use in Montana. \$50,000 of general fund is appropriated to the committee.

House Bill 488 requires the Revenue and Transportation Interim Committee to conduct a study on the revaluation of class 3 agricultural land, class 4 residential and commercial property, and class 10 forest lands. \$50,000 of general fund is appropriated to the Legislative Services Division for the study.

Study Resolutions and Interim Studies – The legislature passed the bills discussed above requesting specific interim studies. In addition, several joint resolutions were passed requesting specific interim studies. These studies are prioritized by legislative direction, and available staff and funding. As many studies as possible will be completed during the interim period.

The following house and senate joint resolutions request interim studies.

Resolutions Requesting Interim Studies During the 2009 Biennium	
Presented in Order of Priority	
Resolution	Purpose
HJR 48	Health insurance reform and publicly funded health care programs
SJR 31	Taxation and school funding
SJR 24	Prison population growth and alternative sentencing
HJR 46	Election laws
HJR 26	Mental health issues in criminal and juvenile justice systems
HJR 59	Redesign of public retirement systems
SJR 15	Impacts of certain services on health care delivery
HJR 50	Mental health precommitment process
HJR 57	Conservation easements on state land
SJR 13	Value added agriculture
SJR 5	Acute care and rural emergency medical services
SJR 6	Juvenile justice
HJR 61	Linkage of state and federal income taxes
HJR 39	Economic development
HJR 22	Payback and incentive for dental students
HJR 28	State business infrastructure
SJR 2	DUI laws
HJR 52	Problem gambling
HJR 47	Funding of Montana genetics program
HJR 33	Polio
HJR 45	Options for state document systems to reflect actual names

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the approving authority, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	124.97	127.97	129.97	2.00	133.14	135.14	2.00	
Personal Services	7,639,179	9,114,748	9,587,968	473,220	9,131,923	9,957,662	825,739	1,298,959
Operating Expenses	2,333,927	2,818,432	3,231,654	413,222	2,391,183	2,390,981	(202)	413,020
Equipment	21,693	90,000	149,500	59,500	60,000	60,000	0	59,500
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$9,994,799	\$12,023,180	\$12,969,122	\$945,942	\$11,583,106	\$12,408,643	\$825,537	\$1,771,479
General Fund	7,730,017	9,507,883	10,401,128	893,245	9,666,163	10,383,770	717,607	1,610,852
State/Other Special	2,264,782	2,515,297	2,567,994	52,697	1,916,943	2,024,873	107,930	160,627
Total Funds	\$9,994,799	\$12,023,180	\$12,969,122	\$945,942	\$11,583,106	\$12,408,643	\$825,537	\$1,771,479

The legislature included 2.00 FTE and general fund of \$294,175 in FY 2008 and \$170,846 in FY 2009 that was not in the original budget submitted. This was included to allow the legislature more control over its information technology environment rather than rely on the executive branch for this function.

A one-time-only general fund appropriation of \$200,000 for TVMT was also approved. The 2007 Legislature passed HB 368, which included an appropriation of \$265,000 to the Legislative Services Division for the operation of the broadcasting services of legislative proceedings. The bill contained a contingent voidness clause that voided the appropriation if HB 818 was not approved. This bill died in conference committee. During the May 2007 Special Session the funding for broadcast services was included in HB 2 at the reduced amount to ensure broadcast of legislative proceedings during the 2009 Legislature.

\$200,000 was included in HB 2 for an interim study of mental health funding alternatives. The legislative technology allowance for the 2009 session was reduced from the requested \$135,000 to \$75,000. \$18,900 was included to support fiscal division staff attending a 5 day training seminar at John F. Kennedy School of Government on government performance improvements. Finally, reductions in the motor pool rate were included.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	\$1.00	0.00	5.00	\$6.00	0.00	5.00	61.17	61.17
Personal Services	3,313,004	465,820	460,607	4,239,431	543,591	618,729	4,475,324	8,714,755
Operating Expenses	1,833,022	257,025	211,626	2,301,673	5,509	(56,365)	1,782,166	4,083,839
Equipment	21,693	68,307	59,500	149,500	38,307	0	60,000	209,500
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,167,719	\$791,152	\$731,733	\$6,690,604	\$587,407	\$562,364	\$6,317,490	\$13,008,094
General Fund	4,337,321	756,884	719,016	5,813,221	1,080,746	548,989	5,967,056	11,780,277
State/Other Special	830,398	34,268	12,717	877,383	(493,339)	13,375	350,434	1,227,817
Total Funds	\$5,167,719	\$791,152	\$731,733	\$6,690,604	\$587,407	\$562,364	\$6,317,490	\$13,008,094

Program Description

The Legislative Services Division provides objective research, reference, legal, technical, information technology, and administrative support services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services; 4) legal counseling on legislative matters and agency legal support; 5) agency business services; 6) planning, installation, and maintenance of the agency computer network and applications; 7) legislative committee staffing and support; 8) preparation, publication, and distribution of the Montana Code Annotated text and annotations; 9) review of the text of proposed ballot measures; 10) broadcasting of legislative activities; and 11) provision of legislative information to the public. The Legislative Council provides policy guidance to the Legislative Services Division.

Program Highlights

Legislative Services Division Major Budget Highlights	
Funding adjustments are attributed to:	
♦	Statewide present law adjustments for pay plan annualizations and adjustments
♦	Adjustments in operating expenses related to the cyclical nature of the legislative process
♦	New proposals for:
•	2.0 FTE for information technology security and operations, funded mostly by reductions in base expenditures
•	2.0 FTE for information technology independence from the executive branch
•	1.0 FTE for a legislative information officer
•	\$200,000 to fund broadcasting services of legislative proceedings

Program Narrative

This program has present law adjustments for the cyclical session employee costs in FY 2009. These costs do not occur in the non-session base year, and do not represent a true increase when comparing biennium to biennium.

This program pays all fixed costs for the Legislative Branch programs. A significant increase is attributable to increases of over \$200,000 for the biennium for technology based services and facility rent charged by other agencies.

Reductions in state special revenue reflect the comparison to the base year and the cyclical nature of this program.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Legislative Services Div						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 4,337,321	83.9%	\$ 5,813,221	86.9%	\$ 5,967,056	94.5%
01100 General Fund	4,337,321	83.9%	5,813,221	86.9%	5,967,056	94.5%
02000 Total State Special Funds	830,398	16.1%	877,383	13.1%	350,434	5.5%
02800 Reimbursable Activities	786,636	15.2%	835,081	12.5%	322,164	5.1%
02985 State Government Broadcasting	43,762	0.8%	42,302	0.6%	28,270	0.4%
Grand Total	\$ 5,167,719	100.0%	\$ 6,690,604	100.0%	\$ 6,317,490	100.0%

The Legislative Services Program is funded by general fund except for state special revenue appropriations that support costs associated with the state broadcasting service and the preparation, publication, and distribution of Montana Codes Annotated.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					466,155					543,926
Inflation/Deflation					809					1,068
Fixed Costs					86,120					123,716
Total Statewide Present Law Adjustments					\$553,084					\$668,710
DP 1 - Program Operations, Legislative Services Division										
	0.00	199,348	38,740	0	238,088	0.00	192,834	(274,117)	0	(81,283)
DP 6015 - State Motor Pool Rate Change										
	0.00	(20)	0	0	(20)	0.00	(20)	0	0	(20)
Total Other Present Law Adjustments										
	0.00	\$199,328	\$38,740	\$0	\$238,068	0.00	\$192,814	(\$274,117)	\$0	(\$81,303)
Grand Total All Present Law Adjustments					\$791,152					\$587,407

DP 1 - Program Operations, Legislative Services Division - Additional funds were provided for publication and distribution of the Montana Codes Annotated and increased printing and office supply costs during a legislative session.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Network Technician FTE/Contracted Srv Reduction										
20	1.00	(26,393)	0	0	(26,393)	1.00	(26,353)	0	0	(26,353)
DP 3 - Computer Security FTE/Contracted Srv Reduction										
20	1.00	(436)	0	0	(436)	1.00	74,624	0	0	74,624
DP 4 - Technology Allowance for Legislators (Biennial)										
20	0.00	75,000	0	0	75,000	0.00	0	0	0	0
DP 5 - Legislative Information Officer FTE										
20	1.00	63,605	0	0	63,605	1.00	59,651	0	0	59,651
DP 6 - Legislative Control of IT Environment										
20	2.00	294,175	0	0	294,175	2.00	170,846	0	0	170,846
DP 7 - TVMT - Rst/Bien/OTO										
20	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
20	0.00	108,400	12,717	0	121,117	0.00	265,277	13,375	0	278,652
DP 6014 - Retirement Employer Contributions - HB 131										
20	0.00	4,665	0	0	4,665	0.00	4,944	0	0	4,944
Total	5.00	\$719,016	\$12,717	\$0	\$731,733	5.00	\$548,989	\$13,375	\$0	\$562,364

DP 2 - Network Technician FTE/Contracted Srv Reduction - The legislature provided a biennial general fund reduction of \$135,000 in present law contracted services from the branch computer network budget and a biennial increase of \$82,254 in personal services for 1.0 FTE to fund an ongoing need for a network technician. The general fund reduction of \$52,746 over the biennium is the result of personal services costs compared to contracted services hourly rates.

DP 3 - Computer Security FTE/Contracted Srv Reduction - The legislature added a Security and Disaster Recovery Officer to ensure the technology security plan and the disaster recovery plan are implemented and maintained. The biennial general fund cost of \$149,188, when combined with a reduction of \$75,000 in the branch network budget, results in a biennial increase of \$74,188.

DP 4 - Technology Allowance for Legislators (Biennial) - The legislature provided funding for the Computer Systems Planning Council recommendation for a program to financially assist legislators in purchasing hardware or software for conducting legislative business.

DP 5 - Legislative Information Officer FTE - The legislature supported funding for a legislative information officer to conduct and coordinate public outreach and to increase awareness and understanding of the legislative institution. Biennial costs include an operational budget of \$6,261, a \$20,000 budget for printing and distribution of educational materials and for training, and personal services costs of \$96,995.

DP 6 - Legislative Control of IT Environment - The legislature included funding to support 2.00 FTE and \$294,175 general fund in FY 2008 and \$170,846 in FY 2009 to provide the legislature with the ability to control its IT environment.

DP 7 - TVMT - Rst/Bien/OTO - The legislature included \$200,000 in restricted, biennial, one-time-only funding for TVMT, which provides live and delayed broadcasts of legislative proceedings.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.97	0.00	0.00	0.97	0.00	0.00	0.97	0.97
Personal Services	68,237	47,392	16,095	131,724	(28,293)	6,617	46,561	178,285
Operating Expenses	274,445	86,118	318,540	679,103	(68,502)	131,147	337,090	1,016,193
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$342,682	\$133,510	\$334,635	\$810,827	(\$96,795)	\$137,764	\$383,651	\$1,194,478
General Fund	342,682	133,510	334,635	810,827	(96,795)	137,764	383,651	1,194,478
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$342,682	\$133,510	\$334,635	\$810,827	(\$96,795)	\$137,764	\$383,651	\$1,194,478

Program Description

The Legislative Committees and Activities Program supports the activities of standing and interim legislative committees conducted during the interim between legislative sessions. Program expenditures support: 1) interim study activities as defined in 5-5-202 through 5-5-217, MCA; 2) cooperative interstate, international, and intergovernmental activities as outlined in 5-11-303 through 5-11-305, MCA; and 3) other legislative activities for which appropriations are made.

Program Highlights

Legislative Committees and Activities	
Major Budget Highlights	
◆	Increases are due to:
•	Minor present law adjustments
•	New proposals for dues and legislator participation in regional and national organizations
•	\$200,000 for an interim study on mental health funding

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Legis. Committees & Acti						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 342,682	100.0%	\$ 810,827	100.0%	\$ 383,651	100.0%
01100 General Fund	342,682	100.0%	810,827	100.0%	383,651	100.0%
Grand Total	\$ 342,682	100.0%	\$ 810,827	100.0%	\$ 383,651	100.0%

The program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					47,392					(28,293)
Inflation/Deflation					755					780
Total Statewide Present Law Adjustments					\$48,147					(\$27,513)
DP 6 - Program Operations, Committees & Activities Prg	0.00	85,392	0	0	85,392	0.00	(69,252)	0	0	(69,252)
DP 6015 - State Motor Pool Rate Change	0.00	(29)	0	0	(29)	0.00	(30)	0	0	(30)
Total Other Present Law Adjustments	0.00	\$85,363	\$0	\$0	\$85,363	0.00	(\$69,282)	\$0	\$0	(\$69,282)
Grand Total All Present Law Adjustments					\$133,510					(\$96,795)

DP 6 - Program Operations, Committees & Activities Prg - The legislature provided for FY 2008 increases and FY 2009 decreases to reflect the adjustments to the base year for the biennial legislative cycle. Program cost increases are for the increased cost of legislator mileage, photocopy equipment, and revisions to 2-15-1019, MCA, requiring legislative liaisons to the State Compensation Insurance Fund board of directors.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7 - Participation, Nat'l Conf of State Legislatures										
21	0.00	14,248	0	0	14,248	0.00	14,248	0	0	14,248
DP 8 - Participation & Dues, Council of State Govt.										
21	0.00	91,177	0	0	91,177	0.00	94,303	0	0	94,303
DP 9 - Participation, Pacific NW Econ Region										
21	0.00	20,538	0	0	20,538	0.00	20,539	0	0	20,539
DP 10 - Participation, River Governance										
21	0.00	8,670	0	0	8,670	0.00	8,671	0	0	8,671
DP 12 - Interim Study on Mental Health										
21	0.00	200,000	0	0	200,000	0.00	0	0	0	0
DP 6014 - Retirement Employer Contributions - HB 131										
21	0.00	2	0	0	2	0.00	3	0	0	3
Total	0.00	\$334,635	\$0	\$0	\$334,635	0.00	\$137,764	\$0	\$0	\$137,764

DP 7 - Participation, Nat'l Conf of State Legislatures - The legislature supported participation of eight delegates in one NCSL conference each year at a biennial cost of \$28,496.

DP 8 - Participation & Dues, Council of State Govt. - The legislature provided for payment of Montana's membership dues in the Council of State Governments (CSG), an interstate organization which serves the Executive, Judicial and Legislative branches of state governments and advocates multi-state problem solving. A biennial budget of \$185,480 in general fund includes \$159,464 for dues and \$26,016 for participation of eight delegates in one CSG conference each year.

DP 9 - Participation, Pacific NW Econ Region - The legislature provided a biennial appropriation of \$41,077 in general fund for payment of \$30,000 for Montana's dues and participation of four delegates once each fiscal year in the Pacific Northwest Economic Region (PNWER), an international organization promoting regional collaborations among Alaska, Idaho, Montana, Washington and the provinces of Alberta, British Columbia, and the Yukon Territory.

DP 10 - Participation, River Governance - The legislature approved funding for four members to participate in Council on River Governance meetings during the 2009 biennium. The council mission is to assert state legislative authority over natural resources and river governance issues and to unite states for a proactive agenda of legislative action.

DP 12 - Interim Study on Mental Health - The legislature included \$200,000 in general fund to support an interim legislative study on mental health.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	18.50	0.00	0.00	18.50	0.00	0.00	18.50	18.50
Personal Services	1,206,744	218,400	46,916	1,472,060	220,508	104,170	1,531,422	3,003,482
Operating Expenses	36,290	(224)	18,900	54,966	43,282	0	79,572	134,538
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,243,034	\$218,176	\$65,816	\$1,527,026	\$263,790	\$104,170	\$1,610,994	\$3,138,020
General Fund	1,243,034	218,176	65,816	1,527,026	263,790	104,170	1,610,994	3,138,020
Total Funds	\$1,243,034	\$218,176	\$65,816	\$1,527,026	\$263,790	\$104,170	\$1,610,994	\$3,138,020

Program Description

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government and the furnishing of information bearing upon the financial matters of the state; 2) identification of ways to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) compiling and analyzing fiscal information for legislators and legislative committees; and 6) staffing and support for legislative committees, including the preparation and processing of the appropriation bills for the legislative, judicial, and executive agencies. The Legislative Finance Committee provides guidance to the Legislative Fiscal Division.

Program Highlights

Legislative Fiscal Division Major Budget Highlights	
◆	Increases are due to:
•	Statewide present law adjustments due to the cyclical nature of legislative session costs that are not in base year
•	Pay plan annualizations and adjustments
•	Training costs for government performance improvements

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Fiscal Analysis & Review						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,243,034	100.0%	\$ 1,527,026	100.0%	\$ 1,610,994	100.0%
01100 General Fund	1,243,034	100.0%	1,527,026	100.0%	1,610,994	100.0%
Grand Total	\$ 1,243,034	100.0%	\$ 1,527,026	100.0%	\$ 1,610,994	100.0%

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					218,400					219,008
Inflation/Deflation					(214)					(208)
Total Statewide Present Law Adjustments					\$218,186					\$218,800
DP 12 - Program Operations, Analysis & Review Program	0.00	0	0	0	0	0.00	45,000	0	0	45,000
DP 6015 - State Motor Pool Rate Change	0.00	(10)	0	0	(10)	0.00	(10)	0	0	(10)
Total Other Present Law Adjustments										
	0.00	(\$10)	\$0	\$0	(\$10)	0.00	\$44,990	\$0	\$0	\$44,990
Grand Total All Present Law Adjustments					\$218,176					\$263,790

DP 12 - Program Operations, Analysis & Review Program - The legislature increased general fund in FY 2009 to support additional costs of overtime, temporary services, printing and photocopy, and office supplies due to cyclical legislative session costs which are not captured in the base year.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 16 - Government Performance Training										
27	0.00	18,900	0	0	18,900	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
27	0.00	45,175	0	0	45,175	0.00	102,322	0	0	102,322
DP 6014 - Retirement Employer Contributions - HB 131										
27	0.00	1,741	0	0	1,741	0.00	1,848	0	0	1,848
Total	0.00	\$65,816	\$0	\$0	\$65,816	0.00	\$104,170	\$0	\$0	\$104,170

DP 16 - Government Performance Training - The legislature provided a restricted, biennial, one-time-only appropriation to support staff attending a 5 day training seminar at John F. Kennedy School of Government on government performance improvements. This is based on a Legislative Finance Committee initiative to implement performance budgeting.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	54.50	0.00	0.00	54.50	0.00	0.00	54.50	54.50
Personal Services	3,051,194	573,195	120,364	3,744,753	586,037	267,124	3,904,355	7,649,108
Operating Expenses	190,170	5,742	0	195,912	1,983	0	192,153	388,065
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$3,241,364	\$578,937	\$120,364	\$3,940,665	\$588,020	\$267,124	\$4,096,508	\$8,037,173
General Fund	1,806,980	362,751	80,323	2,250,054	442,582	172,507	2,422,069	4,672,123
State/Other Special	1,434,384	216,186	40,041	1,690,611	145,438	94,617	1,674,439	3,365,050
Total Funds	\$3,241,364	\$578,937	\$120,364	\$3,940,665	\$588,020	\$267,124	\$4,096,508	\$8,037,173

Program Description

The Legislative Audit Division conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Audit Committee provides policy guidance to the Legislative Audit Division.

Program Highlights

Audit and Examination	
Major Budget Highlights	
◆	Increases are due primarily to statewide present law adjustments for pay plan annualizations and adjustments

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Audit & Examination						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,806,980	55.7%	\$ 2,250,054	57.1%	\$ 2,422,069	59.1%
01100 General Fund	1,806,980	55.7%	2,250,054	57.1%	2,422,069	59.1%
02000 Total State Special Funds	1,434,384	44.3%	1,690,611	42.9%	1,674,439	40.9%
02042 Legislative Audit	1,434,384	44.3%	1,690,611	42.9%	1,674,439	40.9%
Grand Total	\$ 3,241,364	100.0%	\$ 3,940,665	100.0%	\$ 4,096,508	100.0%

This program is funded through a combination of general fund and state special revenue funds generated through the assessment to agencies of federally approved hourly rates charged for audit services.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					573,195					586,037
Inflation/Deflation					2,925					3,670
Total Statewide Present Law Adjustments					\$576,120					\$589,707
DP 13 - Program Operations, Audit & Examination Program										
	0.00	3,958	(1,003)	0	2,955	0.00	(476)	(1,069)	0	(1,545)
DP 6015 - State Motor Pool Rate Change										
	0.00	(77)	(61)	0	(138)	0.00	(80)	(62)	0	(142)
Total Other Present Law Adjustments										
	0.00	\$3,881	(\$1,064)	\$0	\$2,817	0.00	(\$556)	(\$1,131)	\$0	(\$1,687)
Grand Total All Present Law Adjustments					\$578,937					\$588,020

DP 13 - Program Operations, Audit & Examination Program - The legislature included changes from the adjusted base of \$2,955 in FY 2008 and (\$1,545) in FY 2009 resulting from cyclical costs associated with a Peer Review required by Governmental Auditing Standards, on-site training costs, and contract services for the potential use of actuarial expertise on audits of the retirements systems and the Montana State Fund.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
28	0.00	77,697	38,340	0	116,037	0.00	169,714	92,848	0	262,562
DP 6014 - Retirement Employer Contributions - HB 131										
28	0.00	2,626	1,701	0	4,327	0.00	2,793	1,769	0	4,562
Total	0.00	\$80,323	\$40,041	\$0	\$120,364	0.00	\$172,507	\$94,617	\$0	\$267,124

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	5.54	0.00	0.00	5.54	0.00	0.00	5.54	5.54
Personal Services	377,824	113,328	15,039	506,191	114,075	34,309	526,208	1,032,399
Operating Expenses	736,677	258,632	0	995,309	272,401	0	1,009,078	2,004,387
Total Costs	\$1,114,501	\$371,960	\$15,039	\$1,501,500	\$386,476	\$34,309	\$1,535,286	\$3,036,786
State/Other Special	1,114,501	371,960	15,039	1,501,500	386,476	34,309	1,535,286	3,036,786
Total Funds	\$1,114,501	\$371,960	\$15,039	\$1,501,500	\$386,476	\$34,309	\$1,535,286	\$3,036,786

Agency Description

The Consumer Counsel represents state-wide consumer interests in hearings before the Public Service Commission and like agencies. On behalf of the public of Montana, the counsel may initiate, intervene, and participate in appropriate proceedings before state or federal courts or administrative agencies. The Montana Consumer Counsel is part of the legislative branch and is overseen by the Legislative Consumer Committee. The Consumer Counsel is provided for by Article XIII, Section 2 of the Montana Constitution, and is governed by Title 5, Chapter 15, and Title 69, Chapters 1 and 2, MCA.

Agency Highlights

Consumer Counsel Major Budget Highlights	
♦	Funding for the agency increases 18.4 percent between the 2007 and 2009 biennia due to: <ul style="list-style-type: none"> • Personal services statewide present law adjustments that fully fund two positions vacant for all or part of the base budget year • Increases in operating expenses, including maintenance of the case load contingency appropriation at \$250,000 per year • Increases due to the 2009 biennium pay plan adopted by the legislature

Summary of Legislative Action

The legislative budget for this agency is the same as included in the executive request plus funding for the 2009 biennium pay plan that is contained in HB 13 of the regular session. The legislature approved the agency's request for present law adjustments and continuation of the caseload contingency appropriation at \$250,000 a year.

Agency Discussion

The 2009 biennium funding for the agency increases 18.4 percent when compared to 2007 biennium funding due to increases in the statewide present law adjustment for personal services costs, a present law decision package totaling \$527,926 for the biennium for the caseload contingency appropriation and other anticipated cost increases, and the 2009 biennium pay plan. Section 69-1-223, MCA provides that a contingency appropriation may be made and utilized in the event of a caseload increase. Statute allows and the legislature has historically provided a contingency appropriation for this agency. For the past two biennia, the contingency appropriation has been \$250,000 per year.

The contingency appropriation is typically used to contract for consultant and professional services to assist with cases. Consulting and professional services is the agency's largest category of expenditure and makes up about 60 percent of the agency's budget.

Other Legislation

Senate Bill 448 – This bill requires that the Consumer Counsel complete an analysis outlining the fiscal impacts of permit applications for new electrical generation facilities and facilities and upgrades under the Montana Major Facility Siting Act including an estimation of how customer rates may be impacted. The applicant is to pay costs incurred by the Consumer Counsel in the preparation of this analysis.

Executive Budget Comparison

The following table compares the legislative budget for the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	5.54	5.54	5.54	0.00	5.54	5.54	0.00	
Personal Services	377,824	491,152	506,191	15,039	491,899	526,208	34,309	49,348
Operating Expenses	736,677	995,309	995,309	0	1,009,078	1,009,078	0	0
Total Costs	\$1,114,501	\$1,486,461	\$1,501,500	\$15,039	\$1,500,977	\$1,535,286	\$34,309	\$49,348
State/Other Special	1,114,501	1,486,461	1,501,500	15,039	1,500,977	1,535,286	34,309	49,348
Total Funds	\$1,114,501	\$1,486,461	\$1,501,500	\$15,039	\$1,500,977	\$1,535,286	\$34,309	\$49,348

The legislature provided funding for the Montana Consumer Counsel that is the same as the executive request plus the 2009 biennium pay plan contained in HB 13 of the regular session.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Program Funding Table						
Administration Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 1,114,501	100.0%	\$ 1,501,500	100.0%	\$ 1,535,286	100.0%
02801 Dep Rev Consumer Cncl Tax	1,114,501	100.0%	1,501,500	100.0%	1,535,286	100.0%
Grand Total	\$ 1,114,501	100.0%	\$ 1,501,500	100.0%	\$ 1,535,286	100.0%

The Consumer Counsel is funded by a constitutionally earmarked tax that is levied on all regulated entities under the jurisdiction of the Public Service Commission. The funding formula is specified in 69-1-223 and 224, MCA. Each year, the Department of Revenue (DOR) determines the total gross operating revenue generated by all regulated activities within the state for the previous fiscal year. DOR then computes the percentage tax necessary to yield an amount equal to the current appropriation, with no excess funds. If collection of excess revenue occurs, the amount charged to the regulated utilities for the following year is reduced.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					113,328					114,075
Inflation/Deflation					178					184
Fixed Costs					1,114					1,631
Total Statewide Present Law Adjustments					\$114,620					\$115,890
DP 1 - Present Law Base Adjustments	0.00	0	257,340	0	257,340	0.00	0	270,586	0	270,586
Total Other Present Law Adjustments	0.00	\$0	\$257,340	\$0	\$257,340	0.00	\$0	\$270,586	\$0	\$270,586
Grand Total All Present Law Adjustments					\$371,960					\$386,476

DP 1 - Present Law Base Adjustments - The legislature provided \$527,926 state special revenue for the biennium, including \$414,000 for the contingency appropriation, \$59,358 for increases in professional and consulting services, \$29,520 for increases in travel expenses, and \$25,048 for increases in other various operating expenditures. For the past two biennia a contingency appropriation of \$500,000 (\$250,000 per year) has been provided for costs associated with unanticipated caseload.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	0	14,532	0	14,532	0.00	0	33,782	0	33,782
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	0	507	0	507	0.00	0	527	0	527
Total	0.00	\$0	\$15,039	\$0	\$15,039	0.00	\$0	\$34,309	\$0	\$34,309

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	392.13	0.00	5.95	398.08	0.00	5.95	398.08	398.08
Personal Services	22,067,067	3,404,306	1,227,366	26,698,739	3,543,326	2,306,494	27,916,887	54,615,626
Operating Expenses	16,357,847	(8,528,693)	1,049,342	8,878,496	(8,483,521)	1,195,693	9,070,019	17,948,515
Equipment	336,004	39,028	0	375,032	61,049	0	397,053	772,085
Grants	0	0	300,000	300,000	0	0	0	300,000
Benefits & Claims	0	0	0	0	0	0	0	0
Debt Service	29,269	0	0	29,269	0	0	29,269	58,538
Total Costs	\$38,790,187	(\$5,085,359)	\$2,576,708	\$36,281,536	(\$4,879,146)	\$3,502,187	\$37,413,228	\$73,694,764
General Fund	37,410,432	(5,493,638)	2,400,235	34,317,029	(5,291,166)	3,269,263	35,388,529	69,705,558
State/Other Special	1,209,268	409,187	219,270	1,837,725	412,398	274,041	1,895,707	3,733,432
Federal Special	170,487	(908)	(42,797)	126,782	(378)	(41,117)	128,992	255,774
Total Funds	\$38,790,187	(\$5,085,359)	\$2,576,708	\$36,281,536	(\$4,879,146)	\$3,502,187	\$37,413,228	\$73,694,764

Agency Description

Article III, Section I, and Article VII of the Montana Constitution authorize the Judicial Branch. The Judiciary consists of six programs: 1) Supreme Court Operations; 2) Boards and Commissions; 3) Law Library; 4) District Court Operations; 5) Water Court Supervision; and 6) the Clerk of the Supreme Court.

Agency Highlights

Judiciary Major Budget Highlights
<ul style="list-style-type: none"> ♦ A decrease in funding due to the movement of responsibility for the costs of public defender services (\$9.5 million annually) from the District Court Operations program within the Judiciary to a new executive branch agency is offset by increases for: <ul style="list-style-type: none"> • Statewide present law adjustments of about \$7.7 million • Wage parity within the branch, \$0.68 million • Present law IT \$0.5 million • New proposals totaling about \$3.1 million including drug treatment courts \$1.3 million, self-help law program \$0.5 million, an additional 3.95 FTE for district courts and funding for district court safety and security needs \$0.3 million each ♦ About \$4 million general fund to support information technology projects is appropriated in HB 4 of the 2007 special session ♦ A supplemental appropriation of \$2.5 million was provided to cover costs related to public defender services, part of District Court variable costs for FY 2006

Summary of Legislative Action

The judicial branch budget provided by the legislature is \$2.5 million and \$1.4 million for FY 2008 and 2009, respectively, less than the 2006 base budget. This reduction occurs primarily in general fund and is due to a reduction in funding for district court operations related to the public defender services that is partially offset by increased funding for other items within the branch. General fund is reduced by \$9.5 million a year to reflect the movement of responsibility for

public defender services to a new executive branch agency effective July 1, 2007, as provided by legislation passed by the 2005 Legislature. The reduction is offset by funding for:

- Statewide present law adjustments for personal services, \$6.3 million
- 2009 biennium pay plan, \$2.7 million
- Statewide present law adjustments for fixed costs (primarily Department of Administration network related charges), \$1.2 million
- Wage parity within the branch, \$0.68 million
- IT software maintenance, \$0.5 million
- New proposals totaling about \$3.1 million including:
 - Drug treatment courts, \$1.3 million
 - Self-help law program, \$0.5 million
 - An additional 3.95 FTE for district courts, \$0.3 million
 - District court safety and security needs, \$0.3 million

State special revenue supporting the branch increases slightly more than \$600,000 a year when FY 2008 and 2009 are compared to the base budget. This increase is due to:

- Appropriation of state special revenue from the accrued county sick/vacation leave account to fund anticipated costs associated with termination of employment of individuals that were county employees prior to state assumption of district court costs, \$245,806
- Increased funding for the Water Court for anticipated increases in office rental costs and personal services costs related to movement of employees from law clerks to water masters upon the completion of training, \$125,796
- 2009 biennium pay plan, \$183,857

Federal funds decrease slightly (about \$45,000 a year) because the Court Appointed Special Advocate Program (CASA) has become a separate not-for-profit organization and this organization will receive the federal CASA grant directly rather than the grant being administered through the branch.

Agency Discussion

The branch budget approved by the legislature included funding for three legislative initiatives. However, the Governor utilized a line item veto to eliminate one of these items. Each of these initiatives is discussed in a paragraph below.

Drug Treatment Courts

The legislature provided \$1.3 million general fund as a restricted, biennial appropriation to support drug treatment courts. Language included in the appropriations bill specifies that these funds may be used only to provide grants to drug treatment courts, up to one full-time administrator, ongoing review of the operations of drug treatment courts, and the development of policies necessary to administer the provision of grants to drug treatment courts.

Self-help Law Program

The legislature provided \$505,000 general fund as a restricted, biennial, one-time-only general fund appropriation (including 1.00 FTE) to support a new self-help law program. Language included in the appropriations bill specifies that these funds may be used only for:

- The provision of and to support the development, maintenance, and availability of self-help legal forms and instructions regarding civil legal proceedings in Montana's courts
- The development of curriculum and materials suitable for classes and clinics about civil legal proceedings and forms
- The development, updating, and provision of information and training materials for judges, clerks of court, other court officers, judicial branch employees, and volunteers about self-help legal resources and how to assist self-represented litigants in a manner that is impartial, facilitates effective and efficient court operations, and does not constitute providing direct legal representation
- The establishment and maintenance of multimedia materials that provide information about Montana's civil laws, courts, rules, legal forms, and available legal resources

- Coordination, recruitment, and training of volunteer attorneys to provide legal advice and direct legal representation to persons with civil legal needs who are unable to pay for those services
- Coordination and cooperation with other access to justice efforts

Report on Measurable Goals and Objectives

The legislature provided \$2,500 general fund a year as a restricted, one-time-only appropriation for a semiannual report to the Legislative Finance Committee on the branch's progress toward goals presented to the 2007 legislature and attainment of measurable objectives as included in the agency's template. These reports are due to the Legislative Finance Committee by December 31, 2007 and June 30, 2008. The Governor utilized a line item veto to remove this item.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Supreme Court Operations	\$ 18,034,105	\$ 220,084	\$ 255,774	\$ 18,509,963	25.12%
02 Boards And Commissions	552,138	50,012	-	602,150	0.82%
03 Law Library	1,753,743	-	-	1,753,743	2.38%
04 District Court Operations	48,488,381	506,894	-	48,995,275	66.48%
05 Water Courts Supervision	-	2,956,442	-	2,956,442	4.01%
06 Clerk Of Court	877,191	-	-	877,191	1.19%
Grand Total	\$ 69,705,558	\$ 3,733,432	\$ 255,774	\$ 73,694,764	100.00%

The judicial branch is funded primarily with general fund (95 percent), while state special revenue provides about 5 percent and federal funds provide less than 1 percent. The largest sources of state special revenue are renewable resource grants and loans and the water adjudication account that support the Water Court. Other sources of state special revenue include a portion of the dissolution of marriage fee that supports civil legal services for indigent victims of domestic violence, and county payments for accumulated sick and annual leave for individuals who became state employees at the time of district court assumption.

Other Legislation

Please note, unless specified otherwise this section covers legislation passed during the 2007 regular session.

House Bill 4 (2007 special session) HB 4 of the 2007 special session appropriates \$2.9 million from the Long Range Information Technology Program for case management and courtroom technology improvements and \$1.0 million for operating costs associated with these information technology projects.

House Bill 18 – This bill, which is effective upon passage and approval, repeals the statutory time limit for filing of travel expense vouchers by district court judges in multi-county districts.

House Bill 402 – This bill increases certain fees collected by the Supreme Court including those for the filing of notice of appeal in civil cases and filing a petition for any writ. This bill also provides that fees be charged to the cross-appellant for filing a notice of appeal in a civil case and for retrieval of court records from the Secretary of State.

House Bill 473 – This bill repealed the water adjudication fee established by the 2005 Legislature and provided for the transfer of \$25 million from the general fund to the water adjudication account in the state special revenue fund. This state special revenue fund supports Water Court activities related to the acceleration of adjudication of water claims. The 2007 legislation also establishes completion of initial claims examination as a higher priority than reexamination of claims that were subject to the verification. However, the Water Court may issue an order that makes reexamination a higher priority. The Water Court is directed in this legislation to prioritize basins for the purpose of claims examination and reexamination by the Department of Natural Resources and Conservation.

House Bill 629 This bill provides that mediation may be utilized as an alternative form of dispute resolution in certain criminal proceedings.

Senate Bill 124 – This bill provides that the Office of Court Administrator or Office of Public Defender not be charged for the examination, care, custody, and treatment of a criminal defendant for which the legislature has made a general fund appropriation.

Senate Bill 146 – This bill generally revises the Juvenile Delinquency Intervention Act and related provisions including:

- Revising the duties of the Department of Corrections, Office of Court Administrator, Cost Containment Review Panel, District Court Council and youth courts
- Requiring that judicial districts participate in the program
- Requiring the District Court Council adopt policies and procedures
- Providing for the transfer of unexpended funds at the end of the fiscal year to the Office of Court Administrator for deposit into the Youth Court Intervention and Prevention Account
- Outlining various agencies' responsibility for the cost of transportation of youth

Senate Bill 382 – This bill allows district courts or courts of limited jurisdiction to establish mental health treatment courts for persons with a mental disorder who are charged with a criminal offense and provides that participation in mental health treatment courts is voluntary.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	392.13	397.58	398.08	0.50	397.58	398.08	0.50	
Personal Services	22,067,067	25,406,677	26,698,739	1,292,062	25,469,509	27,916,887	2,447,378	3,739,440
Operating Expenses	16,357,847	8,358,330	8,878,496	520,166	8,395,465	9,070,019	674,554	1,194,720
Equipment	336,004	375,032	375,032	0	397,053	397,053	0	0
Grants	0	300,000	300,000	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Debt Service	29,269	29,269	29,269	0	29,269	29,269	0	0
Total Costs	\$38,790,187	\$34,469,308	\$36,281,536	\$1,812,228	\$34,291,296	\$37,413,228	\$3,121,932	\$4,934,160
General Fund	37,410,432	32,602,570	34,317,029	1,714,459	32,420,848	35,388,529	2,967,681	4,682,140
State/Other Special	1,209,268	1,741,358	1,837,725	96,367	1,744,569	1,895,707	151,138	247,505
Federal Special	170,487	125,380	126,782	1,402	125,879	128,992	3,113	4,515
Total Funds	\$38,790,187	\$34,469,308	\$36,281,536	\$1,812,228	\$34,291,296	\$37,413,228	\$3,121,932	\$4,934,160

Funding provided by the legislature is \$4.9 million general fund greater than the executive budget due to the approval of elected official requests and legislative initiatives. Elected official requests include:

- General fund for:
 - Pay equity issues within the branch, \$683,116
 - Judicial education, \$70,000
 - Boards and Commissions, a reduction of \$44,350
- State special revenue to advance staff to water masters when training is complete, about \$30,000 per year

Legislative initiatives supported by general fund are:

- Drug treatment court funding, \$1.3 million and 1.00 FTE for the biennium
- Self-help law program, \$505,000 and 1.00 FTE for the biennium

Funding increases for elected official requests and legislative initiatives are offset by items included in the executive

budget that were not approved by the legislature including general fund for:

- An appellate mediator, \$119,334 in FY 2008 and \$113,949 in FY 2009
- Psychological exams and related costs, \$200,000 per year

Additionally, funding for the 2009 biennium pay plan adds \$2.7 million general fund.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	62.75	0.00	2.00	64.75	0.00	2.00	64.75	64.75
Personal Services	3,742,078	531,561	255,072	4,528,711	543,277	433,319	4,718,674	9,247,385
Operating Expenses	2,749,687	841,306	929,000	4,519,993	898,257	1,075,207	4,723,151	9,243,144
Equipment	9,717	0	0	9,717	0	0	9,717	19,434
Total Costs	\$6,501,482	\$1,372,867	\$1,184,072	\$9,058,421	\$1,441,534	\$1,508,526	\$9,451,542	\$18,509,963
General Fund	6,220,953	1,373,775	1,226,869	8,821,597	1,441,912	1,549,643	9,212,508	18,034,105
State/Other Special	110,042	0	0	110,042	0	0	110,042	220,084
Federal Special	170,487	(908)	(42,797)	126,782	(378)	(41,117)	128,992	255,774
Total Funds	\$6,501,482	\$1,372,867	\$1,184,072	\$9,058,421	\$1,441,534	\$1,508,526	\$9,451,542	\$18,509,963

Program Description

The Supreme Court has appellate jurisdiction for the State of Montana. The court has original jurisdiction to issue, hear, and determine writs of habeas corpus and other writs provided by law. It also has general supervisory control over all other courts in the state. The Supreme Court is charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, admissions to the bar, and the conduct of its members. Within the Supreme Court Operations program, the Office of Court Administrator provides services to the Judicial Branch including information technology, budget and finance, payroll and human resource management, policy and technical support for the Youth Courts, judicial education, and children's services provided through the federal Court Assessment Program.

Program Highlights

Supreme Court Operations Major Budget Highlights
<ul style="list-style-type: none"> ♦ Funding for the Supreme Court Operations programs increases primarily due to funding for drug treatment courts (\$1.3 million), statewide present law adjustments for personal services (\$1.1 million) and fixed costs (\$1.2 million), software maintenance (\$0.5 million), and a self-help law program (\$0.5 million) ♦ About \$4.0 million general fund for information technology projects is included in HB 4 of the 2007 special session

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Supreme Court Operations						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 6,220,953	95.7%	\$ 8,821,597	97.4%	\$ 9,212,508	97.5%
01100 General Fund	6,220,953	95.7%	8,821,597	97.4%	9,212,508	97.5%
02000 Total State Special Funds	110,042	1.7%	110,042	1.2%	110,042	1.2%
02536 Legal Assistance	110,042	1.7%	110,042	1.2%	110,042	1.2%
03000 Total Federal Special Funds	170,487	2.6%	126,782	1.4%	128,992	1.4%
03230 Fed Grant-Pass-Thru-Jud	170,487	2.6%	126,782	1.4%	128,992	1.4%
Grand Total	6,501,482	100.0%	9,058,421	100.0%	9,451,542	100.0%

Supreme Court operations are funded primarily with general fund. State special revenue from a portion of the dissolution of marriage fees is utilized to provide civil legal services for indigent victims of domestic violence (3-2-714, MCA). The program is also projected to receive about \$125,000 per year in federal grant funds during the 2009 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					531,561					543,277
Inflation/Deflation					8,917					10,331
Fixed Costs					568,744					621,859
Total Statewide Present Law Adjustments					\$1,109,222					\$1,175,467
DP 1005 - Rent Federal Building										
0.00	2,771		0	151	2,922	0.00	5,100	0	244	5,344
DP 1007 - IT Software Maintenance										
0.00	260,723		0	0	260,723	0.00	260,723	0	0	260,723
Total Other Present Law Adjustments										
0.00	\$263,494		\$0	\$151	\$263,645	0.00	\$265,823	\$0	\$244	\$266,067
Grand Total All Present Law Adjustments					\$1,372,867					\$1,441,534

DP 1005 - Rent Federal Building - The legislature provided funding for the annual increase in office lease payments for the old federal building. A 2 percent per year increase occurs in November per the lease agreement.

DP 1007 - IT Software Maintenance - The legislature provided \$521,446 general fund for the biennium for maintenance and licensing of: 1) the Full Court Case Management System in the Courts of Limited Jurisdiction and District Courts (as the software is implemented); and 2) maintenance of the C-Track Appellate Case Management system for the Supreme Court.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 704 - Drug Treatment Courts (Restricted/Biennial)										
01	1.00	\$97,500	0	0	597,500	1.00	747,500	0	0	747,500
DP 706 - Self-Help Law Program (Restricted/Biennial/OTO)										
01	1.00	252,500	0	0	252,500	1.00	252,500	0	0	252,500
DP 1004 - Pro Se Law Clerk										
01	1.00	56,534	0	0	56,534	1.00	53,979	0	0	53,979
DP 1006 - CASA Federal Grant										
01	(1.00)	0	0	(44,199)	(44,199)	(1.00)	0	0	(44,230)	(44,230)
DP 1007 - CASA Funding Stabilization										
01	0.00	185,600	0	0	185,600	0.00	185,600	0	0	185,600
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	130,990	0	1,323	132,313	0.00	306,097	0	3,031	309,128
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	3,745	0	79	3,824	0.00	3,967	0	82	4,049
Total	2.00	\$1,226,869	\$0	(\$42,797)	\$1,184,072	2.00	\$1,549,643	\$0	(\$41,117)	\$1,508,526

DP 704 - Drug Treatment Courts (Restricted/Biennial) - The legislature provided \$1,345,000 in a restricted, biennial appropriation to be used by the judicial branch to support drug treatment courts. This funding includes support for up to 1.00 FTE for program administration.

DP 706 - Self-Help Law Program (Restricted/Biennial/OTO) - The legislature provided a restricted, biennial, one-time-only appropriation of \$505,000 general fund to support a self-help law program that would provide information and assistance to individuals involved in civil litigation who are representing themselves. This includes funding for 1.00 FTE program administrator.

DP 1004 - Pro Se Law Clerk - The legislature provided \$110,513 general fund for the biennium to support a pro se (self represented litigant) law clerk for the Supreme Court. This position would be responsible for a preliminary review and tracking of petitions filed by pro se litigants to determine if legal procedural issues existed. Currently, each justice is responsible for individually completing this review.

DP 1006 - CASA Federal Grant - The legislature reduced federal funds by \$88,429 and 1.0 FTE for the biennium for the court appointed special advocate (CASA) grant. In January 2006, Montana's CASA program became a non-profit organization. The judicial branch will no longer receive federal funds for this program.

DP 1007 - CASA Funding Stabilization - The legislature provided \$371,200 general fund for the biennium for court appointed special advocates (CASA). Judges appoint trained CASA volunteers to serve as advocates for children in abuse and neglect cases. The 16 CASA programs in Montana operate on grant money and local fundraising in addition to a state payment of \$400 per case. The branch proposes changing the method for providing state support for these programs with a goal of providing the programs greater financial stability in an effort to ensure that these resources are available to serve abused and neglected children. The branch plans to use this funding to support 75 percent of the costs (estimated at \$15.00 per hour) for a full-time director for 6 large programs and a half-time director for 10 small programs.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Language

The legislature approved the following language for inclusion in HB 2. However, the Governor has line-item vetoed the language illustrated in italic.

"Funds in Drug Treatment Courts may be used only to provide grants to drug treatment courts and for up to one full-time administrator, ongoing review of the operations of drug treatment courts, and the development of policies necessary to administer the provision of grants to drug treatment courts. *Funding includes \$2,500 a year for the preparation of reports to the legislative finance committee on the program's measurable goals and objectives and achievement of those goals and objectives. If reports are not received by the legislative finance committee by December 31, 2007 and June 30, 2008, the fiscal year 2009 appropriation is reduced by \$2,500.*"

"Report on Progress Toward Measurable Goals and Objectives is funding for a semiannual report to the legislative finance committee of the following:

(1) progress toward the goals presented to the 2007 legislature in the agency's template; and

(2) attainment of measurable objectives as outlined in the agency's template presented to the 2007 legislature.

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2008 appropriation is void."

"Funds in Self-Help Law Program may be used only to provide and support the development, maintenance, and availability of self-help legal forms and instructions regarding civil legal proceedings in Montana's courts; the development of curriculum and materials suitable for classes and clinics about civil legal proceedings and forms; the development, updating, and provision of information and training materials for judges, clerks of court, other court officers, judicial branch employees, and volunteers about self-help legal resources and how to assist self-represented litigants in a manner that is impartial, facilitates effective and efficient court operations, and does not constitute providing direct legal representation; the establishment and maintenance of multimedia materials that provide information about Montana's civil laws, courts, rules, legal forms, and available legal resources; coordination, recruitment, and training of volunteer attorneys to provide legal advice and direct legal representation to persons with civil legal needs who are unable to pay for those services; and coordination and cooperation with other access to justice efforts."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	3.00	0.00	0.00	3.00	0.00	0.00	3.00	3.00
Personal Services	150,665	17,355	5,310	173,330	17,497	12,075	180,237	353,567
Operating Expenses	134,803	24,031	(22,175)	136,659	(704)	(22,175)	111,924	248,583
Total Costs	\$285,468	\$41,386	(\$16,865)	\$309,989	\$16,793	(\$10,100)	\$292,161	\$602,150
General Fund	260,462	41,386	(16,865)	284,983	16,793	(10,100)	267,155	552,138
State/Other Special	25,006	0	0	25,006	0	0	25,006	50,012
Total Funds	\$285,468	\$41,386	(\$16,865)	\$309,989	\$16,793	(\$10,100)	\$292,161	\$602,150

Program Description

The Supreme Court is responsible for a variety of matters involving rule making and oversight of the administration of justice in Montana. These obligations are met, in part, through various boards and commissions that are statutorily or legislatively mandated. These boards and commissions include the Sentence Review Division, Commission on Practice, Commission on Courts of Limited Jurisdiction, and Judicial Standards Commission.

Program Highlights

Boards and Commissions	
Major Budget Highlights	
♦	Statewide present law adjustments continued funding for judicial standard reviews, and the 2009 biennium pay plan account for the increase in this program budget

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Boards And Commissions						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 260,462	91.2%	\$ 284,983	91.9%	\$ 267,155	91.4%
01100 General Fund	260,462	91.2%	284,983	91.9%	267,155	91.4%
02000 Total State Special Funds	25,006	8.8%	25,006	8.1%	25,006	8.6%
02399 Boards And Commissions - Mji	25,006	8.8%	25,006	8.1%	25,006	8.6%
Grand Total	\$ 285,468	100.0%	\$ 309,989	100.0%	\$ 292,161	100.0%

The boards and commissions are funded primarily by the general fund. However, a small amount of funding (\$25,000) comes from tuition and admission fees for conferences that are deposited into a state special revenue account.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2008-----					-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					17,355					17,497
Inflation/Deflation					1,684					1,950
Fixed Costs					(618)					(618)
Total Statewide Present Law Adjustments					\$18,421					\$18,829
DP 2002 - Judicial Standards Restricted/Bienn. Appropriation										
	0.00	22,965	0	0	22,965	0.00	(2,036)	0	0	(2,036)
Total Other Present Law Adjustments										
	0.00	\$22,965	\$0	\$0	\$22,965	0.00	(\$2,036)	\$0	\$0	(\$2,036)
Grand Total All Present Law Adjustments					\$41,386					\$16,793

DP 2002 - Judicial Standards Restricted/Bienn. Appropriation - The legislature provided \$20,929 of general fund for the biennium to restore to \$25,000 the funding used to pay for investigations of complaints against judges by the Judicial Standards Commission. Because standard inflation factors were applied and are included in the FY 2008 and 2009 budget, \$20,929 is needed to restore the appropriation to \$25,000 for the 2009 biennium. This funding was provided as a restricted, biennial appropriation so that unexpended funds would revert to the general fund.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700 - Boards and Commissions - Reduction										
02	0.00	(22,175)	0	0	(22,175)	0.00	(22,175)	0	0	(22,175)
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	5,114	0	0	5,114	0.00	11,867	0	0	11,867
DP 6014 - Retirement Employer Contributions - HB 131										
02	0.00	196	0	0	196	0.00	208	0	0	208
Total	0.00	(\$16,865)	\$0	\$0	(\$16,865)	0.00	(\$10,100)	\$0	\$0	(\$10,100)

DP 700 - Boards and Commissions - Reduction - The legislature reduced funding for boards and commissions by \$22,175 general fund per year because additional revenue from fees is available to support certain boards and commissions.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	6.75	0.00	0.00	6.75	0.00	0.00	6.75	6.75
Personal Services	324,101	30,761	11,118	365,980	32,122	25,576	381,799	747,779
Operating Expenses	150,153	549	0	150,702	774	0	150,927	301,629
Equipment	278,760	39,028	0	317,788	61,049	0	339,809	657,597
Debt Service	23,369	0	0	23,369	0	0	23,369	46,738
Total Costs	\$776,383	\$70,338	\$11,118	\$857,839	\$93,945	\$25,576	\$895,904	\$1,753,743
General Fund	776,383	70,338	11,118	857,839	93,945	25,576	895,904	1,753,743
Total Funds	\$776,383	\$70,338	\$11,118	\$857,839	\$93,945	\$25,576	\$895,904	\$1,753,743

Program Description

The State Law Library of Montana provides access to recorded legal knowledge and information consistent with the present and anticipated research needs, responsibilities, and concerns of Montana's courts, legislature, state officers and employees, members of the bar, and members of the general public. Library staff also promotes understanding of the library's research capabilities by teaching legal bibliography and methods of legal research. Access to materials other than those in the library collection is facilitated by providing interlibrary loan service and having an internet presence. The library is overseen by a Board of Trustees consisting of Montana's Supreme Court Justices (22-1-502, MCA).

Program Highlights

Law Library	
Major Budget Highlights	
♦	Funding for the law library increases entirely due to statewide present law adjustments for personal services and inflationary increases (primarily in the costs of library books), and the 2009 biennium pay plan

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Law Library						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 776,383	100.0%	\$ 857,839	100.0%	\$ 895,904	100.0%
01100 General Fund	776,383	100.0%	857,839	100.0%	895,904	100.0%
Grand Total	\$ 776,383	100.0%	\$ 857,839	100.0%	\$ 895,904	100.0%

The law library is funded entirely from the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					30,761					32,122
Inflation/Deflation					549					774
Inflation/Deflation					39,028					61,049
Total Statewide Present Law Adjustments					\$70,338					\$93,945
Grand Total All Present Law Adjustments					\$70,338					\$93,945

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	10,706	0	0	10,706	0.00	25,139	0	0	25,139
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	412	0	0	412	0.00	437	0	0	437
Total	0.00	\$11,118	\$0	\$0	\$11,118	0.00	\$25,576	\$0	\$0	\$25,576

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Proprietary Rates

Proprietary Program Description

Law Library Searches/Research Enterprise Fund - The law library staff coordinates a contract that allows publicly employed legal professionals to access on-line legal resources at a more favorable rate than is typically charged by the contractor. The library is billed by the contracted service provider and in turn bills and collects reimbursement from subscribing entities.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	296.13	0.00	3.95	300.08	0.00	3.95	300.08	300.08
Personal Services	16,780,759	2,426,681	847,476	20,054,916	2,549,867	1,656,845	20,987,471	41,042,387
Operating Expenses	13,076,483	(9,427,266)	142,517	3,791,734	(9,416,914)	142,661	3,802,230	7,593,964
Equipment	23,562	0	0	23,562	0	0	23,562	47,124
Grants	0	0	300,000	300,000	0	0	0	300,000
Benefits & Claims	0	0	0	0	0	0	0	0
Debt Service	5,900	0	0	5,900	0	0	5,900	11,800
Total Costs	\$29,886,704	(\$7,000,585)	\$1,289,993	\$24,176,112	(\$6,867,047)	\$1,799,506	\$24,819,163	\$48,995,275
General Fund	29,756,160	(7,000,585)	1,167,090	23,922,665	(6,867,047)	1,676,603	24,565,716	48,488,381
State/Other Special	130,544	0	122,903	253,447	0	122,903	253,447	506,894
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$29,886,704	(\$7,000,585)	\$1,289,993	\$24,176,112	(\$6,867,047)	\$1,799,506	\$24,819,163	\$48,995,275

Program Description

The district courts are courts of general jurisdiction with authority in all criminal felony cases, civil matters, and other cases of law. The district courts are also the state's youth courts responsible for managing juvenile probation functions. There are 43 district court judges with responsibility divided into 22 judicial districts serving all 56 counties. The 2001 Legislature passed legislation providing for state funding of most district court expenses, including judges and their employees. This change made the district courts part of the Judicial Branch of state government and made the Supreme Court responsible for management of costs and operations. District court costs are the largest segment of the Judicial Branch budget.

Program Highlights

District Court Operations Major Budget Highlights	
♦	2009 biennium funding for district court operations decreases when compared to the base budget because: <ul style="list-style-type: none"> • The base budget is reduced by \$9.5 million general fund per year to reflect the movement of responsibility for public defender costs from the Judiciary to the new Office of Public Defender in the executive branch
♦	This decrease in funding is partially offset by statewide present law adjustments for personal services, funding to address pay equity issues within the branch, one-time-only funding for district court safety and security measures, and an increase of 3.95 FTE

Program Narrative

The FY 2006 base budget for the program is reduced by \$9.5 million to reflect the implementation of a new statewide public defender system and the movement of responsibility for these costs from the Judicial Branch to a new executive branch agency, the Office of the Public Defender. SB 146 of the 2005 session, known as the Montana Public Defender Act, provided for the creation of a new statewide system for the provision of public defender services and assigned responsibility for this system to a new executive branch agency effective July 1, 2006 (FY 2007). Prior to the implementation of the new statewide public defender system, responsibility for funding for public defender services was

the responsibility of either the state via the District Court Operations Program or county and city governments depending upon the nature of the expenditure and whether it involved a case heard in district court or a court of limited jurisdiction. Under the new statewide public defender system responsibility for funding and provision of public defender services for courts of limited jurisdiction also became the responsibility of the state. Additional information related to the new statewide public defender system may be found under the Office of the Public Defender in Volume 3 of the Legislative Fiscal Report for the 2009 Biennium.

Supplemental Appropriation

The branch received a supplemental appropriation of \$2.5 million for cost overruns in the District Court Operations Program due primarily to greater than anticipated costs for public defender services. FY 2006 district court variable costs exceeded appropriation levels by about \$3.1 million. About \$0.6 million of this overrun was offset by the transfer of funds from other programs within the branch and the balance of \$2.5 million was provided by the legislature as a supplemental appropriation.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table District Court Operation						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 29,756,160	99.6%	\$ 23,922,665	99.0%	\$ 24,565,716	99.0%
01100 General Fund	29,756,160	99.6%	23,922,665	99.0%	24,565,716	99.0%
02000 Total State Special Funds	130,544	0.4%	253,447	1.0%	253,447	1.0%
02141 District Court Crim. Reimb.	130,544	0.4%	130,544	0.5%	130,544	0.5%
02788 Acc. Cty Sick/Vacation Leave	-	-	122,903	0.5%	122,903	0.5%
Grand Total	\$ 29,886,704	100.0%	\$ 24,176,112	100.0%	\$ 24,819,163	100.0%

District court operations are funded almost entirely with general fund. The program also receives some state special revenue from video conferencing and youth court fines and fees.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,123,565					2,169,867
Inflation/Deflation					40,531					50,883
Fixed Costs					(1,549)					(1,549)
Total Statewide Present Law Adjustments					\$2,162,547	\$2,219,201				
DP 4001 - Judicial Education	0.00	35,000	0	0	35,000	0.00	35,000	0	0	35,000
DP 4006 - Pay Equity	0.00	303,116	0	0	303,116	0.00	380,000	0	0	380,000
DP 4009 - Variable cost base adjustment	0.00	(9,501,248)	0	0	(9,501,248)	0.00	(9,501,248)	0	0	(9,501,248)
Total Other Present Law Adjustments										
	0.00	(\$9,163,132)	\$0	\$0	(\$9,163,132)	0.00	(\$9,086,248)	\$0	\$0	(\$9,086,248)
Grand Total All Present Law Adjustments					(\$7,000,585)	(\$6,867,047)				

DP 4001 - Judicial Education - The legislature provided an additional \$35,000 per year general fund (\$70,000 for the biennium) to increase funding for judicial education from \$100,000 per biennium to \$170,000 per biennium. This item was presented to the legislature as an elected official request and was not included in the executive budget.

DP 4006 - Pay Equity - The legislature provided \$683,116 general fund (\$303,116 in FY 2008 and \$380,000 in FY 2009) so that the branch can equalize pay among employees within the branch. This item was presented to the legislature as an elected official request and was not included in the executive budget.

DP 4009 - Variable cost base adjustment - The legislature reduced funding by \$9.5 million per year to reflect the change in responsibility for the costs of public defender services. The Montana Public Defender Act (2005 session) created a new statewide system for the provision of public defender services and assigned responsibility for this function to a new executive branch agency effective July 1, 2006 (FY 2007). Public defender costs for district court cases became a state financial responsibility with district court assumption and funding for these costs resided with the judicial branch, District Court Operations Program. Because these costs are included in the FY 2006 base budget but are no longer a responsibility of the branch, funding for these costs is removed from the 2009 biennium budget.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 4005 - District Court Safety and Security Proposal - OTO										
04	0.00	300,000	0	0	300,000	0.00	0	0	0	0
DP 4010 - Judicial Support and Youth Probation Staff										
04	3.95	162,424	0	0	162,424	3.95	163,054	0	0	163,054
DP 4011 - Replace State Special for funding from counties										
04	0.00	0	122,903	0	122,903	0.00	0	122,903	0	122,903
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	689,674	0	0	689,674	0.00	1,497,629	0	0	1,497,629
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	14,992	0	0	14,992	0.00	15,920	0	0	15,920
Total	3.95	\$1,167,090	\$122,903	\$0	\$1,289,993	3.95	\$1,676,603	\$122,903	\$0	\$1,799,506

DP 4005 - District Court Safety and Security Proposal - OTO - The legislature provided a one-time-only general fund appropriation of \$300,000 for security infrastructure improvements in district courts. Funding in this proposal is to be allocated among district courts on a prorated basis based upon the number of district court rooms.

DP 4010 - Judicial Support and Youth Probation Staff - The legislature provided \$325,478 general fund for the biennium to support 3.95 FTE and related costs for district courts. This request includes 0.95 FTE for two judicial districts for support staff to perform administrative tasks and 3.0 FTE to support community-based supervision programs for youth in two judicial districts.

DP 4011 - Replace State Special for funding from counties - The legislature provided \$245,806 state special revenue for the biennium to fund projected retirement payouts for employees who became state employees at the time of district court assumption. When a judicial branch employee, who was a county employee at the time of district court assumption, retires the judicial branch pays their sick and annual leave balance payments from this state special revenue fund.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00	18.00
Personal Services	714,651	377,406	96,367	1,188,424	378,291	151,138	1,244,080	2,432,504
Operating Expenses	205,060	31,781	0	236,841	34,107	0	239,167	476,008
Equipment	23,965	0	0	23,965	0	0	23,965	47,930
Total Costs	\$943,676	\$409,187	\$96,367	\$1,449,230	\$412,398	\$151,138	\$1,507,212	\$2,956,442
State/Other Special	943,676	409,187	96,367	1,449,230	412,398	151,138	1,507,212	2,956,442
Total Funds	\$943,676	\$409,187	\$96,367	\$1,449,230	\$412,398	\$151,138	\$1,507,212	\$2,956,442

Program Description

The Water Courts Supervision Program, located in Bozeman, adjudicates claims of existing water rights in Montana pursuant to Title 3, Chapter 7 and Title 85, Chapter 2, MCA.

Program Highlights

Water Courts Supervision Major Budget Highlights	
♦	The 2009 biennium budget increases primarily due to statewide present law adjustments for personal services.
♦	Personal services costs increase 66 percent when FY 2008 is compared to the FY 2006 base primarily due to fully funding 12 positions that were vacant all or part of the base year and inclusion of the 2009 biennium pay plan

Program Narrative

Legislation that was passed and approved (HB 473 of the regular session) repealed the water adjudication fee established by the 2005 Legislature and provided for the transfer of \$25 million from the general fund to the water adjudication account in the state special revenue fund. This state special revenue fund supports Water Court activities related to the acceleration of adjudication of water claims. The legislation passed by the 2007 Legislature also establishes completion of initial claims examination as a higher priority than reexamination of claims that were subject to the verification process and requires that the Department of Natural Resources and Conservation (DNRC) develop a list of basins to be examined that is prioritized by year and updated annually. However, the Water Court may issue an order that makes reexamination a higher priority and is directed in statute to prioritize basins for the purpose of claims examination and reexamination by DNRC.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Water Courts Supervision							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000	Total State Special Funds	\$ 943,676	100.0%	\$ 1,449,230	100.0%	\$ 1,507,212	100.0%
	02272 Renewable Resources Gmt/Loans	764,398	81.0%	914,980	63.1%	948,665	62.9%
	02431 Water Adjudication	179,278	19.0%	534,250	36.9%	558,547	37.1%
Grand Total		\$ 943,676	100.0%	\$ 1,449,230	100.0%	\$ 1,507,212	100.0%

The Water Court is supported entirely by state special revenue from the renewable resources grant and loan account and the water adjudication account. Legislation passed by the 2007 Legislature (HB 473 of the regular session) repealed the water adjudication fee and provided funding for the water adjudication account via a transfer from the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					377,406					378,291
Inflation/Deflation					929					1,017
Fixed Costs					(234)					(234)
Total Statewide Present Law Adjustments					\$378,101					\$379,074
DP 5001 - Water Court Rent Increase										
	0.00	0	31,086	0	31,086	0.00	0	33,324	0	33,324
Total Other Present Law Adjustments										
	0.00	\$0	\$31,086	\$0	\$31,086	0.00	\$0	\$33,324	\$0	\$33,324
Grand Total All Present Law Adjustments					\$409,187					\$412,398

DP 5001 - Water Court Rent Increase - The legislature provided \$31,086 in FY 2008 and \$33,324 in FY 2009 of state special revenue for increased rental costs due to expansion of the office space and negotiation of a new lease. The 2005 Legislature provided for acceleration of the adjudication of water claims. As part of this acceleration funding was provided to the Water Court to expand the number of staff by 6.5 FTE in FY 2006 and 7.0 FTE in FY 2007. To accommodate the new staff, the court office space was increased and the lease renegotiated. The new lease was effective in May 2006. This increase in rent annualizes the increased cost, including a 3 percent inflation factor, into the FY 2008 and 2009 budget.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 701 - Advancement to Water Master										
05	0.00	0	30,678	0	30,678	0.00	0	30,708	0	30,708
DP 6013 - 2009 Biennium Pay Plan - HB 13										
05	0.00	0	64,579	0	64,579	0.00	0	119,278	0	119,278
DP 6014 - Retirement Employer Contributions - HB 131										
05	0.00	0	1,110	0	1,110	0.00	0	1,152	0	1,152
Total	0.00	\$0	\$96,367	\$0	\$96,367	0.00	\$0	\$151,138	\$0	\$151,138

DP 701 - Advancement to Water Master - The legislature provided state special revenue of \$30,678 in FY 2008 and \$30,708 in FY 2009 to advance staff within the Water Court from law clerk to water master upon completion of training assignments.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	5.50	0.00	0.00	5.50	0.00	0.00	5.50	5.50
Personal Services	354,813	20,542	12,023	387,378	22,272	27,541	404,626	792,004
Operating Expenses	41,661	906	0	42,567	959	0	42,620	85,187
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$396,474	\$21,448	\$12,023	\$429,945	\$23,231	\$27,541	\$447,246	\$877,191
General Fund	396,474	21,448	12,023	429,945	23,231	27,541	447,246	877,191
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$396,474	\$21,448	\$12,023	\$429,945	\$23,231	\$27,541	\$447,246	\$877,191

Program Description

The Office of Clerk of the Supreme Court (Title 3, Chapter 2, Part 4, MCA) conducts the business of the court, and serves as the liaison between the public, attorneys, and the Supreme Court. The clerk controls the docket and filings, manages the appellate process, and is the custodian of all legal records for the public and the court. Additionally, the clerk administers appellate mediation, maintains the official roll of Montana attorneys, and is responsible for licensing Montana's attorneys. The Clerk of the Supreme Court is an elected official.

Program Highlights

Clerk of Court Major Budget Highlights	
♦	Statewide present law adjustments for personal services and fixed costs, and funding for the 2009 biennium pay plan, are the only additions to the base budget included in the 2009 biennium budget

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Clerk Of Court						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 396,474	100.0%	\$ 429,945	100.0%	\$ 447,246	100.0%
01100 General Fund	396,474	100.0%	429,945	100.0%	447,246	100.0%
Grand Total	\$ 396,474	100.0%	\$ 429,945	100.0%	447,246	100.0%

The functions of the Clerk of the Supreme Court are funded entirely from the general fund. The office collects fees as provided in section 3-4-403 MCA which are deposited into the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					20,542					22,272
Inflation/Deflation					906					959
Total Statewide Present Law Adjustments					\$21,448					\$23,231
Grand Total All Present Law Adjustments					\$21,448					\$23,231

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	11,575	0	0	11,575	0.00	27,067	0	0	27,067
DP 6014 - Retirement Employer Contributions - HB 131										
06	0.00	448	0	0	448	0.00	474	0	0	474
Total	0.00	\$12,023	\$0	\$0	\$12,023	0.00	\$27,541	\$0	\$0	\$27,541

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	59.07	0.00	1.00	60.07	0.00	1.00	60.07	60.07
Personal Services	3,638,215	369,923	245,252	4,253,390	377,915	430,867	4,446,997	8,700,387
Operating Expenses	1,433,528	170,557	7,500	1,611,585	170,936	7,500	1,611,964	3,223,549
Equipment	0	0	0	0	630,000	0	630,000	630,000
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,071,743	\$540,480	\$252,752	\$5,864,975	\$1,178,851	\$438,367	\$6,688,961	\$12,553,936
General Fund	5,044,574	539,849	252,752	5,837,175	1,178,220	438,367	6,661,161	12,498,336
State/Other Special	6,711	21,089	0	27,800	21,089	0	27,800	55,600
Federal Special	20,458	(20,458)	0	0	(20,458)	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$5,071,743	\$540,480	\$252,752	\$5,864,975	\$1,178,851	\$438,367	\$6,688,961	\$12,553,936

Agency Description

The Office of the Governor (office) exists under authority granted in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana. The Governor appoints all military and civil officers of the state whose appointments are provided for by statute or the constitution, grants reprieves and pardons, and serves on various boards and commissions. The Governor approves or vetoes legislation, reports to the legislature on the condition of the state, and submits a biennial executive budget. The Governor also represents the state in relations with other governments and the public.

Agency Highlights

Governor's Office	
Major Budget Highlights	
The majority of the increases are due to statewide present law adjustments.	
Other adjustments include:	
♦	In FY 2009 \$630,000 is included to purchase new engines for the Governor's plane
♦	The legislature transferred the executive protection function from the Governor's Office to the Department of Justice, reducing general fund base expenditures by \$187,826
♦	A funding switch from federal funds to state special revenue based on legislative audit recommendations is included
♦	A new proposal for information technology staff in the Centralized Services Division was approved

Summary of Legislative Action

The legislature approved a budget increase over the base that includes \$1.7 million in statewide and present law adjustments and \$145,000 in new proposals.

Statewide present law adjustments of just over \$1 million for personal services increases were in addition to the pay plan increases included in HB 13. \$630,000 of general fund was included in FY 2009 to provide new engines in the Governor's plane. The executive had requested \$429,000 in FY 2008 for an engine overhaul. However, the legislature determined new engines at a slightly higher cost could extend the life of the plane up to 20 additional years.

The legislature continued the Marketing Montana and Business Recruitment Program at \$600,000 over the biennium, the funding level established by the 2005 Legislature. Proposed increases to the program were not approved by either house.

The executive protection function was transferred to the Department of Justice, reducing 2006 base expenditures by \$93,913 each year of the biennium.

The Legislative Finance Committee (LFC) requested goals and measurable objectives from the Governor's Office in March 2006. LFC did not receive measurable objectives as requested in either March 2006, October 2006, or on the agency template as directed by the LFC. The legislature outlined specific measurable objectives for the Office of Economic Development, Marketing Montana and Business Recruitment Program, and the Coordinator of Indian Affairs. Included in the budget is \$2,500 each year of the biennium for a report to the Legislative Finance Committee on progress towards attainment of the measures. The Governor vetoed both the language relating to the measurable objectives and the funding when he signed HB 2 of the May 2007 special session.

Agency Discussion

During FY 2006, the office reorganized its functions to add the Centralized Services Division. Funding for the division was created through appropriation and FTE transfers from the Executive Office Program and the Office of Budget and Program Planning.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget				
Agency Program	General Fund	State Spec.	Grand Total	Total %
01 Executive Office Program	\$ 5,230,647	\$ -	\$ 5,230,647	41.67%
02 Governor'S Residence Operations	245,924	-	245,924	1.96%
03 Air Transportation Program	1,218,564	13,600	1,232,164	9.81%
04 Ofc Budget & Program Planning	3,237,935	-	3,237,935	25.79%
05 Coordinator Of Indian Affairs	317,880	-	317,880	2.53%
06 Centralized Services Division	652,527	-	652,527	5.20%
12 Lieutenant Governor'S Office	691,348	-	691,348	5.51%
16 Citizens' Advocate Office	145,816	42,000	187,816	1.50%
20 Mental Disabilities Bd Visitr	757,695	-	757,695	6.04%
Grand Total	12,498,336	55,600	12,553,936	100.00%

The Governor's Office is almost entirely funded with general fund. State special revenue is generated through rental charges to other state agencies for use of the Governor's airplane. These revenues declined 69 percent over the FY 2006 base budget request due to increased use of the plane by the Governor. The legislature also approved switching funding for a portion of the Citizen Advocate's Office from federal special revenue to state special revenue due to a recommendation from the Legislative Audit Division.

Other Legislation

Senate Bill 60 of the 2007 regular session clarified the definition of an emergency to include the price of energy that results in the curtailment of essential services, production of goods or disruption of significant sectors of the economy, or imposes a threat to the health and safety of those segments of the population most in need as defined by their economic, social, or medical conditions. This allows the Governor to use up to \$16 million in statutory appropriations for energy emergencies as well as other emergencies as defined in statute.

Senate Bill 173 of the 2007 regular session revises laws relating to the State-Tribal Economic Development Commission and changes the administrative attachment from the Governor's Office to the Department of Commerce. The bill also repealed the termination date for the commission and added one member from the Governor's Office of Economic Development to the commission's membership.

House Bill 4 of the May 2007 special session appropriates \$20,000 in capital projects to the Governor's Office for a historic and cultural properties interim study.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	59.07	62.37	60.07	(2.30)	62.37	60.07	(2.30)	
Personal Services	3,638,215	4,199,204	4,253,390	54,186	4,207,297	4,446,997	239,700	293,886
Operating Expenses	1,433,528	2,058,953	1,611,585	(447,368)	2,059,351	1,611,964	(447,387)	(894,755)
Equipment	0	0	0	0	0	630,000	630,000	630,000
Transfers	0	429,000	0	(429,000)	0	0	0	(429,000)
Total Costs	\$5,071,743	\$6,687,157	\$5,864,975	(\$822,182)	\$6,266,648	\$6,688,961	\$422,313	(\$399,869)
General Fund	5,044,574	6,659,357	5,837,175	(822,182)	6,238,848	6,661,161	422,313	(399,869)
State/Other Special	6,711	27,800	27,800	0	27,800	27,800	0	0
Federal Special	20,458	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$5,071,743	\$6,687,157	\$5,864,975	(\$822,182)	\$6,266,648	\$6,688,961	\$422,313	(\$399,869)

The legislature did not approve the following proposals included in the proposed executive budget:

- o The Federal Relations Office in Washington D.C. (\$299,970 in FY 2008 and \$300,041 in FY 2009)
- o Aircraft engine overhaul (\$429,000 in FY 2008 offset by an increase of \$630,000 in FY 2009) to purchase new aircraft engines which will extend the life of the aircraft by up to 20 additional years
- o \$200,000 in increases each year of the biennium for the Marketing Montana and Business Recruitment Program
- o \$81,472 as requested by the executive in the Governor's amended budget to correct an error in the base
- o \$30,000 over the biennium for one-time-only appropriations for the Executive Office Program for on-going maintenance costs for technology updates and staff development training
- o The Student Intern Program in the Executive Office Program and the Office of Budget and Program Planning (\$19,634 in FY 2008 and \$19,372 in FY 2009)

The legislature approved \$5,000 general fund over the biennium for the Governor's Office to report on attainment of specific measurements outlined for the Office of Economic Development, Marketing Montana and Business Recruitment, and Coordinator of Indian Affairs. This proposal was not included in the original executive budget proposal made in November of 2006 but was included as part of the budget proposed by the Governor in the May 2007 Special Session. The Governor then struck the language and appropriation for \$5,000 general fund when he signed HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	21.63	0.00	0.00	21.63	0.00	0.00	21.63	21.63
Personal Services	1,502,817	53,416	82,419	1,638,652	54,263	157,739	1,714,819	3,353,471
Operating Expenses	833,344	99,171	0	932,515	111,317	0	944,661	1,877,176
Total Costs	\$2,336,161	\$152,587	\$82,419	\$2,571,167	\$165,580	\$157,739	\$2,659,480	\$5,230,647
General Fund	2,336,161	152,587	82,419	2,571,167	165,580	157,739	2,659,480	5,230,647
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$2,336,161	\$152,587	\$82,419	\$2,571,167	\$165,580	\$157,739	\$2,659,480	\$5,230,647

Program Description

The Executive Office Program aids the Governor in overseeing and coordinating the activities of the executive branch of Montana state government. The program provides administrative, legal, and press support for the Office of the Governor. The Executive Office Program also administers programs with special impact on the citizens and governmental concerns of Montana. Special programs include the Office of Economic Development, which was created to strengthen the foundations of the state's business environment and diversify and expand existing economic endeavors to achieve long-term economic stability.

Program Highlights

Executive Office Program Major Budget Highlights	
♦	Statewide present law adjustments for personal services account for the majority of the increases in the program
♦	The executive protection function was transferred to the Department of Justice
♦	Funding for reporting on progress towards attainment of goals outlined by the legislature

Program Narrative

The Executive Office Program 2009 biennium budget request is \$300,000 higher each year of the biennium as compared to the FY 2006 base budget. The base was reduced by \$243,724 due to a transfer of appropriation authority for prisoner extradition to the Department of Corrections. The base was also reduced by \$134,144 due to an office reorganization that created the Centralized Services Division, transferring 2.00 FTE and related personal services and operating costs. Finally, the legislature transferred the executive protection function and related expenditures to the Department of Justice which offsets a portion of the present law adjustments.

The Office of Economic Development's funding of \$2.2 million over the biennium is included in the Executive Office Program. A portion of the funding is a biennial appropriation for marketing and business recruitment of \$600,000.

The legislature included funding for a report on progress on attaining specific measurable objectives outlined in language tied to the appropriation for the reports. The measurements for the Office of Economic Development and the Marketing Montana and Business Recruitment Program include:

1. Creating 1,160 new jobs, 12 out-of-state visitations each year, 2 overseas visits each year, and creation of 3 Montana ambassador satellite units each year through the Marketing Montana and Business Recruitment Program; and
2. The goal of achieving 30 percent more businesses operating in Montana in each of the cluster areas through the Office of Economic Development.

The Legislative Finance Committee had requested specific measurements for the programs within the Governor's Office since March 2006. Since the Governor's Office still did not provide the information requested the legislature outlined specific measures and goals for two of the programs in the 2009 biennium. The Governor stuck the appropriation for the report and the language for reports on specific measurable objectives when he signed HB 2.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Executive Office Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 2,336,161	100.0%	\$ 2,571,167	100.0%	\$ 2,659,480	100.0%
01100 General Fund	2,336,161	100.0%	2,571,167	100.0%	2,659,480	100.0%
Grand Total	2,336,161	100.0%	2,571,167	100.0%	2,659,480	100.0%

The Executive Office Program is funded entirely with general fund, which increases only slightly due to the reduction for the transfer of executive protection to the Department of Justice.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				113,122					113,996	
Vacancy Savings				(59,706)					(59,733)	
Inflation/Deflation				5,285					5,572	
Fixed Costs				14,474					26,344	
Total Statewide Present Law Adjustments				\$73,175					\$86,179	
DP 1 - Marketing Montana and Business Recruitment										
0.00	173,695	0	0	173,695	0.00	173,695	0	0	173,695	
DP 5 - Executive Protection Reduction										
0.00	(93,913)	0	0	(93,913)	0.00	(93,913)	0	0	(93,913)	
DP 6015 - State Motor Pool Rate Change										
0.00	(370)	0	0	(370)	0.00	(381)	0	0	(381)	
Total Other Present Law Adjustments										
0.00	\$79,412	\$0	\$0	\$79,412	0.00	\$79,401	\$0	\$0	\$79,401	
Grand Total All Present Law Adjustments				\$152,587					\$165,580	

DP 1 - Marketing Montana and Business Recruitment - The legislature included \$173,695 each year of the biennium to keep the appropriation for this program at \$300,000 annually.

DP 5 - Executive Protection Reduction - The legislature removed \$93,913 each year of the biennium from the Executive Office Program. These funds were used to pay the Department of Justice for expenses incurred by the Montana Highway Patrol for their executive protection duties. Funding for this function is now included in the Department of Justice budget.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	80,693	0	0	80,693	0.00	155,909	0	0	155,909
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	1,726	0	0	1,726	0.00	1,830	0	0	1,830
Total	0.00	\$82,419	\$0	\$0	\$82,419	0.00	\$157,739	\$0	\$0	\$157,739

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Language

The legislature approved including the following language in HB 2:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to:

- (1) progress from July 1, 2007, through May 1, 2008, toward the goals of creating 1,160 new jobs over the 2009 biennium, 12 out-of-state visitations each year, 2 overseas visits each year, and creating 3 Montana ambassador satellite units each year through the marketing Montana and business recruitment program;
- (2) progress from July 1, 2007, through May 1, 2008, toward the goal of achieving 30% more businesses operating in Montana in each of the cluster areas, including life sciences, information technology, creative enterprise, aerospace, agri-food, and wood-based products, through the office of economic development;
- (3) progress from July 1, 2007, through May 1, 2008, toward the goals of meeting once each month with each of the seven recognized tribal governments in Montana, identifying issues for legislative consideration in the 2009 session, such as unemployment and dropout rates for Native Americans, and endeavoring to resolve the class III gaming dispute with affected tribal governments by June 30, 2009, through the coordinator of Indian affairs.

If the reports are not received by the legislative finance committee by June 30, 2008, the fiscal year 2009 appropriation is void."

The Governor struck the language when he signed HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	56,061	1,693	1,865	59,619	1,928	4,407	62,396	122,015
Operating Expenses	32,275	29,432	0	61,707	29,927	0	62,202	123,909
Total Costs	\$88,336	\$31,125	\$1,865	\$121,326	\$31,855	\$4,407	\$124,598	\$245,924
General Fund	88,336	31,125	1,865	121,326	31,855	4,407	124,598	245,924
Total Funds	\$88,336	\$31,125	\$1,865	\$121,326	\$31,855	\$4,407	\$124,598	\$245,924

Program Description

The Governor's Residence Operations Program provides for the day-to-day operations of the official state executive residence.

Program Highlights

Governor's Residence Operations Program Major Budget Highlights	
♦	Increases to the program's budget are the result of statewide present law adjustments
♦	Other increases are for the maintenance of OTO appropriations for increased program costs

Program Narrative

The Governor's Residence Operation Program 2009 biennium budget is about 34 percent when compared to 2007 biennium. The majority of the increase is for costs due to the current Governor and his family spending more time in the mansion. The program received a one-time-only appropriation of \$25,000 for increased activities and related costs of the Governor's mansion.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Governor's Residence Ope						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 88,336	100.0%	\$ 121,326	100.0%	\$ 124,598	100.0%
01100 General Fund	88,336	100.0%	121,326	100.0%	124,598	100.0%
Grand Total	\$ 88,336	100.0%	\$ 121,326	100.0%	\$ 124,598	100.0%

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					4,100					4,344
Vacancy Savings					(2,407)					(2,416)
Inflation/Deflation					784					1,091
Fixed Costs					3,648					3,836
Total Statewide Present Law Adjustments					\$6,125					\$6,855
DP 3 - Re-authorize Governor's Residence OTO Appropriation	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
Total Other Present Law Adjustments	0.00	\$25,000	\$0	\$0	\$25,000	0.00	\$25,000	\$0	\$0	\$25,000
Grand Total All Present Law Adjustments					\$31,125					\$31,855

DP 3 - Re-authorize Governor's Residence OTO Appropriation - The legislature provided a one-time-only appropriation of \$25,000 per year for operations of the residence.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	1,806	0	0	1,806	0.00	4,345	0	0	4,345
DP 6014 - Retirement Employer Contributions - HB 131										
02	0.00	59	0	0	59	0.00	62	0	0	62
Total	0.00	\$1,865	\$0	\$0	\$1,865	0.00	\$4,407	\$0	\$0	\$4,407

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	89,567	9,386	2,916	101,869	9,797	7,019	106,383	208,252
Operating Expenses	197,716	(797)	0	196,919	(723)	0	196,993	393,912
Equipment	0	0	0	0	630,000	0	630,000	630,000
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$287,283	\$8,589	\$2,916	\$298,788	\$639,074	\$7,019	\$933,376	\$1,232,164
General Fund	280,572	8,500	2,916	291,988	638,985	7,019	926,576	1,218,564
State/Other Special	6,711	89	0	6,800	89	0	6,800	13,600
Total Funds	\$287,283	\$8,589	\$2,916	\$298,788	\$639,074	\$7,019	\$933,376	\$1,232,164

Program Description

The Air Transportation Program provides the Governor with air transportation.

Program Highlights

Air Transportation Program Major Budget Highlights	
♦	Increases to the program's budget are the result of statewide present law adjustments
♦	The legislature approved a one-time-only restricted general fund appropriation to purchase new airplane engines for the Governor's plane in FY 2009

Program Narrative

The Air Transportation Program biennium budget increases \$645,718 as compared to the 2007 biennium. The majority of the increase is due to a one-time-only appropriation of \$630,000 in general fund for purchase of new airplane engines and the cost of their installation in FY 2009.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Air Transportation Progr						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 280,572	97.7%	\$ 291,988	97.7%	\$ 926,576	99.3%
01100 General Fund	280,572	97.7%	291,988	97.7%	926,576	99.3%
02000 Total State Special Funds	6,711	2.3%	6,800	2.3%	6,800	0.7%
02693 Air Transportation Special Rev	6,711	2.3%	6,800	2.3%	6,800	0.7%
Grand Total	\$ 287,283	100.0%	\$ 298,788	100.0%	\$ 933,376	100.0%

The majority of this program is funded with general fund. State special revenue generated from rental charges to other state agencies for use of the Governor's airplane offsets about \$6,700 of the program costs. The amount budgeted for state special revenue is lower than in previous biennia due to the increased use of the plane by the Governor.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					13,510					13,937
Vacancy Savings					(4,124)					(4,140)
Fixed Costs					(797)					(723)
Total Statewide Present Law Adjustments					\$8,589					\$9,074
DP 9 - Aircraft Engine Overhaul Contingency (Rst/OTO)										
	0.00	0	0	0	0	0.00	630,000	0	0	630,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$630,000	\$0	\$0	\$630,000
Grand Total All Present Law Adjustments					\$8,589					\$639,074

DP 9 - Aircraft Engine Overhaul Contingency (Rst/OTO) - The legislature provided for a one-time-only restricted general fund appropriation of \$595,000 to purchase 2 Pratt & Whitney PT6A-135A engines and up to \$35,000 in general fund for installation of the engines in the Governor's plane in FY 2009.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	2,805	0	0	2,805	0.00	6,902	0	0	6,902
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	111	0	0	111	0.00	117	0	0	117
Total	0.00	\$2,916	\$0	\$0	\$2,916	0.00	\$7,019	\$0	\$0	\$7,019

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	19.00	0.00	0.00	19.00	0.00	0.00	19.00	19.00
Personal Services	1,138,869	208,469	46,973	1,394,311	213,133	103,392	1,455,394	2,849,705
Operating Expenses	171,853	21,793	0	193,646	22,731	0	194,584	388,230
Total Costs	\$1,310,722	\$230,262	\$46,973	\$1,587,957	\$235,864	\$103,392	\$1,649,978	\$3,237,935
General Fund	1,310,722	230,262	46,973	1,587,957	235,864	103,392	1,649,978	3,237,935
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$1,310,722	\$230,262	\$46,973	\$1,587,957	\$235,864	\$103,392	\$1,649,978	\$3,237,935

Program Description

The Office of Budget and Program Planning (OBPP) assists the Governor in preparing the Governor's executive budget and administering the state government budget. In addition, OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as the approving authority for operational plan changes, program transfers, and budget amendments in the executive branch, in accordance with Title 17, Chapter 7, MCA. OBPP also acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Program Highlights

Office of Budget and Program Planning Major Budget Highlights	
◆	Increases are attributed to statewide present law adjustments and legislative session costs

Program Narrative

In FY 2006, OBPP's base was reduced by \$48,156 due to a reorganization which created the Centralized Services Division. Transfers included 1.0 FTE and the related personal services and operating costs associated with the position.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Ofc Budget & Program Pla						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,310,722	100.0%	\$ 1,587,957	100.0%	\$ 1,649,978	100.0%
01100 General Fund	1,310,722	100.0%	1,587,957	100.0%	1,649,978	100.0%
Grand Total	\$ 1,310,722	100.0%	\$ 1,587,957	100.0%	\$ 1,649,978	100.0%

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					264,887					269,746
Vacancy Savings					(56,418)					(56,613)
Inflation/Deflation					230					248
Fixed Costs					21,580					10,000
Total Statewide Present Law Adjustments					\$230,279					\$223,381
DP 1 - OBPP Session Costs	0.00	0	0	0	0	0.00	12,500	0	0	12,500
DP 6015 - State Motor Pool Rate Change	0.00	(17)	0	0	(17)	0.00	(17)	0	0	(17)
Total Other Present Law Adjustments	0.00	(\$17)	\$0	\$0	(\$17)	0.00	\$12,483	\$0	\$0	\$12,483
Grand Total All Present Law Adjustments					\$230,262					\$235,864

DP 1 - OBPP Session Costs - The legislature provided \$12,500 in general fund in the second year of the biennium for costs associated with cyclical printing of the executive budget.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	45,350	0	0	45,350	0.00	101,670	0	0	101,670
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	1,623	0	0	1,623	0.00	1,722	0	0	1,722
Total	0.00	\$46,973	\$0	\$0	\$46,973	0.00	\$103,392	\$0	\$0	\$103,392

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	118,228	16,227	3,963	138,418	16,288	9,383	143,899	282,317
Operating Expenses	16,202	1,349	0	17,551	1,810	0	18,012	35,563
Total Costs	\$134,430	\$17,576	\$3,963	\$155,969	\$18,098	\$9,383	\$161,911	\$317,880
General Fund	134,430	17,576	3,963	155,969	18,098	9,383	161,911	317,880
State/Other Special	0	0	0	0	0	0	0	0
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$134,430	\$17,576	\$3,963	\$155,969	\$18,098	\$9,383	\$161,911	\$317,880

Program Description

The Coordinator of Indian Affairs Program serves as the Governor's liaison with state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the legislative and executive branches. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesperson for representative Native American organizations and groups, both public and private, whenever that support is requested. The program is mandated by 2-15-217 and 90-11-101, MCA.

Program Highlights

Coordinator of Indian Affairs Major Budget Highlights	
♦	General fund increases due to statewide present law adjustments

Program Narrative

The legislature approved eliminating the sunset clause for the State-Tribal Economic Development Commission, expanding the funding and commission participants, and transferring it to the Department of Commerce.

As discussed in the Executive Office Program, the legislature outlined specific measurable goals and objectives for various programs within the Governor's Office including the Coordinator of Indian Affairs. The legislature requested a report on progress towards the goals of:

- Meeting once each month with each of the seven recognized tribal governments in Montana
- Identifying issues for legislative consideration in the 2009 session, such as unemployment and dropout rates for Native Americans
- Endeavoring to resolve the class III gaming dispute with affected tribal governments by June 30, 2009

The Governor vetoed the language in HB 2 outlining the goals and objectives for this program.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Coordinator Of Indian Af						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 134,430	100.0%	\$ 155,969	100.0%	\$ 161,911	100.0%
01100 General Fund	134,430	100.0%	155,969	100.0%	161,911	100.0%
Grand Total	\$ 134,430	100.0%	\$ 155,969	100.0%	\$ 161,911	100.0%

The Indian Affairs Program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				21,830					21,892
Vacancy Savings				(5,603)					(5,604)
Inflation/Deflation				108					129
Fixed Costs				1,247					1,687
Total Statewide Present Law Adjustments				\$17,582					\$18,104
DP 6015 - State Motor Pool Rate Change									
0.00	(6)	0	0	(6)	0.00	(6)	0	0	(6)
Total Other Present Law Adjustments									
0.00	(\$6)	\$0	\$0	(\$6)	0.00	(\$6)	\$0	\$0	(\$6)
Grand Total All Present Law Adjustments				\$17,576					\$18,098

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
05	0.00	3,797	0	0	3,797	0.00	9,207	0	0	9,207
DP 6014 - Retirement Employer Contributions - HB 131										
05	0.00	166	0	0	166	0.00	176	0	0	176
Total	0.00	\$3,963	\$0	\$0	\$3,963	0.00	\$9,383	\$0	\$0	\$9,383

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	3.00	0.00	1.00	4.00	0.00	1.00	4.00	4.00
Personal Services	164,527	17,810	70,442	252,779	18,392	80,454	263,373	516,152
Operating Expenses	55,778	12,822	7,500	76,100	(3,003)	7,500	60,275	136,375
Total Costs	\$220,305	\$30,632	\$77,942	\$328,879	\$15,389	\$87,954	\$323,648	\$652,527
General Fund	220,305	30,632	77,942	328,879	15,389	87,954	323,648	652,527
Total Funds	\$220,305	\$30,632	\$77,942	\$328,879	\$15,389	\$87,954	\$323,648	\$652,527

Program Description

The Centralized Services Division provides business services to all programs within the Governor's Office. Services include payroll and personnel, accounting, central asset management and computer replacement, data processing, and budget preparation and monitoring for the entire office.

Program Highlights

Centralized Services Division Major Budget Highlights	
◆	General fund increases are primarily due to statewide present law adjustments
◆	Funding was provided for computer replacements for various programs within the Governor's Office each year of the biennium
◆	New proposals include IT support for the Governor's Office

Program Narrative

The Governor's Office reorganized its operations in FY 2006 and created the Centralized Services Division. FTE and funding were transferred from the Executive Office Program and the Office of Budget and Program Planning Program. The transfers included:

- 2.0 FTE, \$124,002 in personal services, and \$50,878 in operating costs from the Executive Office Program. A portion of the operating costs were for computer equipment and were funded using a one-time-only appropriation
- 1.0 FTE, \$42,745 in personal services, and \$5,411 in operating costs from the Office of Budget and Program Planning Program

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Centralized Services Div						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 220,305	100.0%	\$ 328,879	100.0%	\$ 323,648	100.0%
01100 General Fund	220,305	100.0%	328,879	100.0%	323,648	100.0%
Grand Total	\$ 220,305	100.0%	\$ 328,879	100.0%	\$ 323,648	100.0%

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					25,407					26,013
Vacancy Savings					(7,597)					(7,621)
Fixed Costs					36,458					1,933
Total Statewide Present Law Adjustments					\$54,268					\$20,325
DP 2 - Computer Replacement										
	0.00	17,100	0	0	17,100	0.00	35,800	0	0	35,800
DP 12 - Amendments to Budget - Remove one-time-only										
	0.00	(40,736)	0	0	(40,736)	0.00	(40,736)	0	0	(40,736)
Total Other Present Law Adjustments										
	0.00	(\$23,636)	\$0	\$0	(\$23,636)	0.00	(\$4,936)	\$0	\$0	(\$4,936)
Grand Total All Present Law Adjustments					\$30,632					\$15,389

DP 2 - Computer Replacement – The legislature provided one-time-only, restricted general fund increases of \$17,100 in FY 2008 and \$35,800 in FY 2009 for computer replacement in several programs of the Governor's Office.

DP 12 - Amendments to Budget - Remove one-time-only - The legislature reduced the Centralized Services Division base budget by \$40,736 in each year of the biennium to eliminate a one-time-only appropriation inadvertently included.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Additional IT Support for Governor's Office										
06	1.00	70,232	0	0	70,232	1.00	70,254	0	0	70,254
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	7,500	0	0	7,500	0.00	17,478	0	0	17,478
DP 6014 - Retirement Employer Contributions - HB 131										
06	0.00	210	0	0	210	0.00	222	0	0	222
Total	1.00	\$77,942	\$0	\$0	\$77,942	1.00	\$87,954	\$0	\$0	\$87,954

DP 4 - Additional IT Support for Governor's Office – The legislature provided general fund support for 1.00 FTE, personal services, and operating costs to provide IT support for the Governor's Office's operations. This proposal adds a programmer/analyst position to provide support for web design, database design and maintenance for OPBB, support with templates for fiscal notes, and bill status and financial impact tracking.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification –The Governor's Office currently does not have staff to provide support for data analysis, web development, or computer software. This proposal would add a position that will assist the Governor's Office in information technology needs and development. Current staff does not have the knowledge or skills for database development, web

development, general information management, or high-level software support.

Goals: Provide the Governor's Office with internal support for commercial software, design customized databases and other software applications, and provide tools for information analysis.

Performance Criteria:

- Identify critical information technology needs. Identify how processes are managed and how they can be improved to make the office more efficient within its limited resources.
- Do necessary program development to support office in areas such as:
 - Bill and legislation tracking
 - Fiscal note formats and tracking fiscal impact of bills
 - E-mail
 - Web services
 - Database management
 - Boards and commissions appointments tracking
 - Mental Disabilities Board of Visitors caseload and issue tracking
 - Executive Office correspondence tracking
 - Identify office requirements for future information technology projects.

Milestones:

- December 2006 – Complete needs assessment.
- March 2007 – Prioritize and develop tentative timeline.
- Ongoing: - Project development.

FTE: We are requesting a 1.00 FTE Programmer Analyst position.

Funding: General fund

Obstacles: We do not anticipate major obstacles to any efforts to streamline processes and make them more efficient. Staff training and training resources would be the only potential obstacle.

Risk: If we add resources for this purpose, the office needs and requirements for IT solutions will again outpace the resources available.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	3.94	0.00	0.00	3.94	0.00	0.00	3.94	3.94
Personal Services	244,018	30,084	16,052	290,154	30,287	29,629	303,934	594,088
Operating Expenses	43,310	4,676	0	47,986	5,964	0	49,274	97,260
Total Costs	\$287,328	\$34,760	\$16,052	\$338,140	\$36,251	\$29,629	\$353,208	\$691,348
General Fund	287,328	34,760	16,052	338,140	36,251	29,629	353,208	691,348
Total Funds	\$287,328	\$34,760	\$16,052	\$338,140	\$36,251	\$29,629	\$353,208	\$691,348

Program Description

The Office of the Lieutenant Governor is responsible for carrying out duties prescribed by statute established by Article VI, Section 4 of the Montana Constitution, as well as those delegated by the Governor. Statutory authority is Title 2, Chapter 15, part 3, MCA.

Program Highlights

Lieutenant Governor Program	
Major Budget Highlights	
♦	Statewide present law adjustments increase general fund each year of the biennium

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Lieutenant Governor'S Of						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 287,328	100.0%	\$ 338,140	100.0%	\$ 353,208	100.0%
01100 General Fund	287,328	100.0%	338,140	100.0%	353,208	100.0%
Grand Total	\$ 287,328	100.0%	\$ 338,140	100.0%	\$ 353,208	100.0%

This program is funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,538					37,745
Vacancy Savings					(7,454)					(7,458)
Inflation/Deflation					2,619					2,766
Fixed Costs					2,283					3,431
Total Statewide Present Law Adjustments					\$34,986					\$36,484
DP 6015 - State Motor Pool Rate Change										
	0.00	(226)	0	0	(226)	0.00	(233)	0	0	(233)
Total Other Present Law Adjustments										
	0.00	(\$226)	\$0	\$0	(\$226)	0.00	(\$233)	\$0	\$0	(\$233)
Grand Total All Present Law Adjustments					\$34,760					\$36,251

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
12	0.00	15,709	0	0	15,709	0.00	29,267	0	0	29,267
DP 6014 - Retirement Employer Contributions - HB 131										
12	0.00	343	0	0	343	0.00	362	0	0	362
Total	0.00	\$16,052	\$0	\$0	\$16,052	0.00	\$29,629	\$0	\$0	\$29,629

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	1.50	0.00	0.00	1.50	0.00	0.00	1.50	1.50
Personal Services	80,094	(3,267)	2,522	79,349	(3,229)	5,775	82,640	161,989
Operating Expenses	12,593	255	0	12,848	386	0	12,979	25,827
Total Costs	\$92,687	(\$3,012)	\$2,522	\$92,197	(\$2,843)	\$5,775	\$95,619	\$187,816
General Fund	72,229	(3,554)	2,522	71,197	(3,385)	5,775	74,619	145,816
State/Other Special	0	21,000	0	21,000	21,000	0	21,000	42,000
Federal Special	20,458	(20,458)	0	0	(20,458)	0	0	0
Total Funds	\$92,687	(\$3,012)	\$2,522	\$92,197	(\$2,843)	\$5,775	\$95,619	\$187,816

Program Description

The Citizens' Advocate Office (office) exists to provide access to state government for Montana citizens. The office provides information to citizens and functions as a referral service for public comments, suggestions, and requests for information. The office provides a toll-free number to the public.

Program Highlights

Citizens Advocate Office Major Budget Highlights	
♦	Funding decreases due to statewide present law adjustments
♦	Funding switch between federal special revenue and state special revenue from calls related to federally funded functions at DPHHS

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Citizens' Advocate Office							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 72,229	77.9%	\$ 71,197	77.2%	\$ 74,619	78.0%	
01100 General Fund	72,229	77.9%	71,197	77.2%	74,619	78.0%	
02000 Total State Special Funds	-	-	21,000	22.8%	21,000	22.0%	
02253 Citizen'S Advocate State Special Re	-	-	21,000	22.8%	21,000	22.0%	
03000 Total Federal Special Funds	20,458	22.1%	-	-	-	-	
03001 Governors Office Federal Grnts	20,458	22.1%	-	-	-	-	
Grand Total	\$ 92,687	100.0%	\$ 92,197	100.0%	\$ 95,619	100.0%	

This program is funded with general fund and state special revenue funds in the 2009 biennium. The legislature approved a funding switch from federal revenue to state special revenue. The Citizen's Advocate Office is the first point of contact for several Department of Health and Human Services (DPHHS) programs. The office tracks the number of calls received and the programs affected and bills the DPHHS programs for the services. The programs billed are frequently funded through federal grants. The office recorded these revenues as federal revenues. A recent legislative audit recommended the revenues be recorded as state special revenue as the federal designation does not apply to the revenues that the office receives.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(66)					(27)
Vacancy Savings					(3,201)					(3,202)
Fixed Costs					255					386
Total Statewide Present Law Adjustments					(\$3,012)					(\$2,843)
DP 9 - Funding Switch from Federal to State Special Revenue										
	0.00	0	21,000	(21,000)	0	0.00	0	21,000	(21,000)	0
Total Other Present Law Adjustments										
	0.00	\$0	\$21,000	(\$21,000)	\$0	0.00	\$0	\$21,000	(\$21,000)	\$0
Grand Total All Present Law Adjustments					(\$3,012)					(\$2,843)

DP 9 - Funding Switch from Federal to State Special Revenue - The legislature switched the appropriation authority for the Citizens Advocate's Office from federal special revenue to state special revenue due to a legislative audit recommendation.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
16	0.00	2,453	0	0	2,453	0.00	5,702	0	0	5,702
DP 6014 - Retirement Employer Contributions - HB 131										
16	0.00	69	0	0	69	0.00	73	0	0	73
Total	0.00	\$2,522	\$0	\$0	\$2,522	0.00	\$5,775	\$0	\$0	\$5,775

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	244,034	36,105	18,100	298,239	37,056	33,069	314,159	612,398
Operating Expenses	70,457	1,856	0	72,313	2,527	0	72,984	145,297
Total Costs	\$314,491	\$37,961	\$18,100	\$370,552	\$39,583	\$33,069	\$387,143	\$757,695
General Fund	314,491	37,961	18,100	370,552	39,583	33,069	387,143	757,695
Total Funds	\$314,491	\$37,961	\$18,100	\$370,552	\$39,583	\$33,069	\$387,143	\$757,695

Program Description

The Mental Disabilities Board of Visitors is charged with reviewing patient care at Montana's community mental health centers, and at the institutions for the mentally ill and the developmentally disabled. The board provides legal services for the residents at those institutions. The Governor appoints six board members. Statute defines the requirements for the members, including the number of professionals to be appointed and their disciplines. The board employs administrative and legal staff and contracts with medical professionals to carry out its responsibilities for patient representation and facility review. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

The Mental Health Ombudsman is also a part of this program. The ombudsman, appointed by the Governor for a four year term, represents the interests of individuals with regard to the need for public mental health services, including individuals in transition from public to private services.

Program Highlights

Mental Disabilities Board of Visitors	
Major Budget Highlights	
♦	Statewide present law adjustments add approximately \$38,000 per year

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Mental Disabilities Bd V						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 314,491	100.0%	\$ 370,552	100.0%	\$ 387,143	100.0%
01100 General Fund	314,491	100.0%	370,552	100.0%	387,143	100.0%
Grand Total	\$ 314,491	100.0%	\$ 370,552	100.0%	\$ 387,143	100.0%

This program is funded entirely with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					47,807					48,797
Vacancy Savings					(11,702)					(11,741)
Inflation/Deflation					379					428
Fixed Costs					1,490					2,113
Total Statewide Present Law Adjustments					\$37,974					\$39,597
DP 6015 - State Motor Pool Rate Change	0.00	(13)	0	0	(13)	0.00	(14)	0	0	(14)
Total Other Present Law Adjustments	0.00	(\$13)	\$0	\$0	(\$13)	0.00	(\$14)	\$0	\$0	(\$14)
Grand Total All Present Law Adjustments					\$37,961					\$39,583

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
20	0.00	17,774	0	0	17,774	0.00	32,724	0	0	32,724
DP 6014 - Retirement Employer Contributions - HB 131										
20	0.00	326	0	0	326	0.00	345	0	0	345
Total	0.00	\$18,100	\$0	\$0	\$18,100	0.00	\$33,069	\$0	\$0	\$33,069

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0	0
Grants	0	0	1,040,000	1,040,000	0	0	0	1,040,000
Total Costs	\$0	\$0	\$1,040,000	\$1,040,000	\$0	\$0	\$0	\$1,040,000
Federal Special	0	0	1,040,000	1,040,000	0	0	0	1,040,000
Total Funds	\$0	\$0	\$1,040,000	\$1,040,000	\$0	\$0	\$0	\$1,040,000

Agency Description

The Office of the Secretary of State:

- Interprets state election laws and oversees elections
- Maintains the official records of the executive branch and the acts of the legislature
- Reviews, maintains, and distributes public-interest records of businesses and nonprofit organizations
- Files administrative rules adopted by state departments, boards, and agencies
- Attests to the Governor's signature on executive orders, proclamations, resolutions, extradition papers, and appointments
- Preserves the state seal
- Files and maintains records of secured financial transactions, such as liens
- Serves on the state Board of Land Commissioners and the Board of Examiners
- Commissions notaries public

The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. Except for federal funding to support activities under the Help America Vote Act of 2002, the agency operates entirely with proprietary funds derived from fees for service.

Agency Highlights

Office of Secretary of State Major Budget Highlights	
◆	Funding to expend interest revenue of Help America Vote Act of 2002 funds adds \$1.04 million federal funds
◆	The remainder of the office's funding is derived from non-budgeted proprietary funds

Summary of Legislative Action

The legislative budget is \$1.04 million federal funds, which is the same as the executive request and in its entirety is an increase over the 2007 biennium. Except for the HAVA funding, all remaining operations of the office including staffing costs are funded with non-budgeted proprietary funds.

Other Legislation

House Bill 4 - HB 4 of the regular session continued an existing budget amendment for \$100,000 of federal funds for a grant for voting access for individuals with disabilities into federal FY 2009.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	0	0	0	0
Equipment	0	0	0	0	0	0	0	0
Grants	0	1,040,000	1,040,000	0	0	0	0	0
Total Costs	\$0	\$1,040,000	\$1,040,000	\$0	\$0	\$0	\$0	\$0
Federal Special	0	1,040,000	1,040,000	0	0	0	0	0
Total Funds	\$0	\$1,040,000	\$1,040,000	\$0	\$0	\$0	\$0	\$0

The legislative budget for the Secretary of State is the same as the executive budget.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Agency Program	Fed Spec.	Grand Total	Total %
01 Business & Government Services	\$ 1,040,000	\$ 1,040,000	100.00%
Grand Total	\$ 1,040,000	\$ 1,040,000	100.00%

The operations of the Secretary of State are primarily funded with proprietary funds derived from fees for services, document sales, and other fees established in statute. In recent years, the federal Help America Vote Act of 2002 (HAVA) provided federal special revenue for election reform initiatives. Since expenditure of HAVA funds in the base were via budget amendment authority, no base exists for original grant funds. Interest accrued on deposit of HAVA funds remains unspent and is included for the 2009 biennium as part of this bill. As such, tables for this bill show only HAVA funds derived from interest revenues from the grant proceeds.

The primary operations of the Office of Secretary of State are funded from enterprise proprietary funds derived from fees charged for the various services, document sales, and products of the office. Fees of the office are established in administrative rule or state law.

Because the office is funded with enterprise funds, the legislature does not appropriate funds or approve, in this bill, the level of fees and charges. The legislature accepts and identifies any concerns with a report on the enterprise fund that includes retained earnings and contributed capital, projected operations and charges, and projected fund balances. The proprietary fund and supported operations are discussed below in the Proprietary Rates section.

In recent years, the federal Help America Vote Act of 2002 (HAVA) provided federal special revenue for election reform initiatives. Since expenditure of HAVA funds in the base was via budget amendment authority, no base exists for original funds. Interest accrued on deposit of HAVA funds remains unspent and is included for the 2009 biennium as part of this bill. As such, tables for this bill show only HAVA funds derived from interest revenues from the grant proceeds.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 4 - Help America Vote Act-Biennial										
01	0.00	0	0	1,040,000	1,040,000	0.00	0	0	0	0
Total	0.00	\$0	\$0	\$1,040,000	\$1,040,000	0.00	\$0	\$0	\$0	\$0

DP 4 - Help America Vote Act-Biennial - Included is an increase of \$1,040,000 federal special revenue to provide grants to counties for assistance in completing election reforms of the Help America Vote Act of 2002. The funding is designated as a biennial appropriation.

Proprietary Rates

Proprietary Program Description

The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The office stores, accesses, microfilms, scans, preserves, and disposes of public documents generated by state and local governments. The office administers corporate filings, registers assumed names and trademarks, processes notary public registrations, and administers the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR). The office reviews, approves, maintains, and distributes records of business and nonprofit organizations, and registers and maintains records of secured financial transactions under the Uniform Commercial Codes, including agricultural products, in accordance with the Federal Food Security Act of 1985. The Secretary of State serves as Montana's chief election official and is responsible for the interpretation of application of election laws, except those pertaining to campaign finance. The office also qualifies candidates for the ballot, qualifies initiatives and referendums for the ballot, certifies the language and form of the ballot, publishes the official state voter-information pamphlet, conducts the official canvass of election results, and trains local election officials. The office administers the election reform requirements of the federal Help America Vote Act of 2002.

Proprietary Revenues and Expenses

The Office of the Secretary of State administers one proprietary fund. Revenue is received from fees charged to: 1) state agencies for managing agency records; 2) businesses and corporations for corporate filings, and registration of assumed business names and trademarks; 3) state agencies and users of the Administrative Rules of Montana (ARM) for publishing and distributing the ARM and the Montana Administrative Register (MAR); 4) candidates who file for elections; and 5) Montana citizens who apply to be notaries.

Revenue from intra-state service fees are expected to increase by about 41 percent from FY 2006 to FY 2008 due to: 1) a fee increase to keep fees commensurate with costs; and 2) an accounting change in which revenue will be recorded under a different category in the 2009 biennium than they were recorded in FY 2006.

Administrative fees revenue are expected to increase by 68 percent from FY 2006 to FY 2008 due to: 1) an accounting change, triggered by an audit, will result in recording gross revenues and associated service fee expenses, and not just net revenues, for electronic government Internet services administered through Montana Interactive; and 2) the addition of a new uniform commercial code bulk service fee.

The Office of the Secretary of State expended 65 percent of its FY 2006 enterprise funds on personal services and 35 percent on operations. The total expenses in FY 2006 were \$3.5 million.

The proposed budget for this office shows expenses greater than anticipated revenues. This will not cause a deficit situation due to revenues exceeding expenses during the past few years resulting in a positive fund balance. The fund balance increase has largely resulted from a significant increase in business filings. The office is mandated by statute to

set fees commensurate with the cost of the office. The office has allowed the fund balance to increase, rather than reduce fees, to satisfy the funding required to implement several technology improvement projects. These projects account for the operating expense growth from FY 2006 to FY 2008 and are currently in various stages of planning and implementation. As these projects are implemented the fund balance will decline and the office will review fees to determine if changes need to be made to maintain revenue commensurate with the cost of the office.

Proprietary Rate Explanation

Rates are based upon an estimate of the cost to provide each individual service and a comparison of fees charged for similar services in other states. Fees are set in state statute or established through the Montana Administrative Procedure Act. Because the proprietary funded portion of the program is funded with an enterprise type proprietary fund, the legislature does not approve fees in the appropriations act.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	5.00	0.00	1.00	6.00	0.00	1.00	6.00	6.00
Personal Services	195,535	45,988	68,117	309,640	46,784	80,718	323,037	632,677
Operating Expenses	102,896	4,089	210,538	317,523	(1,804)	145,075	246,167	563,690
Total Costs	\$298,431	\$50,077	\$278,655	\$627,163	\$44,980	\$225,793	\$569,204	\$1,196,367
General Fund	298,431	50,077	278,655	627,163	44,980	225,793	569,204	1,196,367
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$298,431	\$50,077	\$278,655	\$627,163	\$44,980	\$225,793	\$569,204	\$1,196,367

Agency Description

The Commissioner of Political Practices (COPP) has responsibilities that were defined by a legislative initiative in 1980 requiring disclosure of acts by lobbyists and business interests of elected officials. COPP also has responsibility for the ethical standards of conduct for legislators, public officers, and state employees pursuant to Title 2, Chapter 2, MCA.

Agency Highlights

Commissioner of Political Practices	
Major Budget Highlights	
Total funding increases include:	
◆	New proposals for a campaign and lobbyist registration computer system
◆	New proposals for 1.00 FTE as a campaign violation investigator
◆	Additional legal costs funding included as one-time-only to address case backlogs
◆	Statewide present law adjustments

Summary of Legislative Action

The legislature approved 1.00 FTE and \$118,051 over the biennium for an investigator to resolve campaign violations. The intent was to resolve campaign violations in a timely manner, reducing the backlog of cases and issuing decisions more rapidly. A \$155,000 general fund one-time-only appropriation for legal costs was also included to address these issues and support ongoing legal costs from complaints filed during the 2006 elections.

Costs related to completion of a campaign and lobbyist registration computer system were approved by the legislature. COPP in cooperation with the Secretary of State's Office contracted with technical personnel to develop a database and web-based filing system. Candidate filing fees paid to the Secretary of State paid the initial cost of \$42,000. The legislature required the commissioner provide a specific timeline for the implementation of the project and included reduction of filing errors as one of the goals of the project.

Agency Discussion

The Commissioner of Political Practices (COPP) addresses its duties with one appointed official and four staff members. Personal services comprised 65 percent of the FY 2006 base budget. In the 2009 biennium this percentage drops to 54 percent due to the new proposals in HB 2 for a campaign filing and lobbyist registration system.

The other major expenditure for COPP relates to complaints that are handled by the Agency Legal Service Bureau at the Department of Justice or outside legal counsel. An outside counsel is used in cases where there is a conflict of interest.

Legal fees comprise 46 percent of the operating costs and 16 percent of the total budget. The FY 2006 base budget cost for legal fees is \$47,500, a decrease of \$38,000 from the projected budget in the 2007 biennium.

Other Legislation

House Bill 462 provides for establishment of constituent services accounts by persons elected to statewide or legislative office or as a public service commissioner. Surplus campaign funds may be deposited into the account. The bill requires the office holder to file a form establishing the account with the COPP and quarterly reports relating to the account.

Senate Bill 253 allows certain broadcast campaign advertising material and an affidavit about the truth of the content of the material to be voluntarily filed with the COPP. Violation of this section of law is to be investigated by the county attorney of the county in which the person filing the affidavit resides.

Executive Budget Comparison

The following table compares the legislative budget for the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	5.00	5.00	6.00	1.00	5.00	6.00	1.00	
Personal Services	195,535	241,523	309,640	68,117	242,319	323,037	80,718	148,835
Operating Expenses	102,896	246,323	317,523	71,200	163,667	246,167	82,500	153,700
Total Costs	\$298,431	\$487,846	\$627,163	\$139,317	\$405,986	\$569,204	\$163,218	\$302,535
General Fund	298,431	487,846	627,163	139,317	405,986	569,204	163,218	302,535
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$298,431	\$487,846	\$627,163	\$139,317	\$405,986	\$569,204	\$163,218	\$302,535

The legislature included an additional \$273,051 in general fund over the biennium to provide 1.00 FTE as an investigator for complaints regarding campaign rule violations and to provide a one-time-only appropriation for anticipated legal costs. Neither of these proposals was included in the executive proposed budget.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 298,431	100.0%	\$ 627,163	100.0%	\$ 569,204	100.0%
01100 General Fund	298,431	100.0%	627,163	100.0%	569,204	100.0%
Grand Total	\$ 298,431	100.0%	\$ 627,163	100.0%	\$ 569,204	100.0%

This program is entirely funded with general fund. A small amount of revenue is generated from nominal fees charged for printing and distribution, as well as civil fines for violation of campaign laws. Both are deposited into the general fund. In addition, COPP collects a \$150 lobbyist filing fee, \$50 of which is deposited into the general fund and \$100 in a state special revenue account that is appropriated to the Legislative Services Division to fund the state broadcasting system. The lobbyist license expires at the end of each even-numbered year, just before the start of the legislative session. Thus, the majority of the revenues are collected in odd numbered years. Total deposited revenues for statewide broadcasting in FY 2005 were \$56,684.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	Fiscal 2008				Fiscal 2009					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					45,988					46,784
Inflation/Deflation					321					386
Fixed Costs					3,768					(2,190)
Total Statewide Present Law Adjustments					\$50,077					\$44,980
Grand Total All Present Law Adjustments					\$50,077					\$44,980

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Campaign Filing, Lobbyist/Principal Systems OTO										
01	0.00	123,338	0	0	123,338	0.00	46,575	0	0	46,575
DP 3 - Campaign Violation Investigator										
01	1.00	58,852	0	0	58,852	1.00	59,199	0	0	59,199
DP 4 - Additional Legal Costs (OTO)										
01	0.00	77,500	0	0	77,500	0.00	77,500	0	0	77,500
DP 5 - Constituent Services Account										
01	0.00	5,300	0	0	5,300	0.00	21,000	0	0	21,000
DP 7 - Broadcast Campaign Advertising Material and Affid										
01	0.00	4,400	0	0	4,400	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	8,984	0	0	8,984	0.00	21,221	0	0	21,221
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	281	0	0	281	0.00	298	0	0	298
Total	1.00	\$278,655	\$0	\$0	\$278,655	1.00	\$225,793	\$0	\$0	\$225,793

DP 1 - Campaign Filing, Lobbyist/Principal Systems OTO - The legislature provided a one-time-only, restricted general fund appropriation to support completion of a system for a candidate filing system and a lobbyist/principal registration system. The database for this system was developed during FY 2005 and FY 2006. However, the web-based portion which allows access to file electronically has not been completed and requires additional funding to complete.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The current paper-based system is both time intensive and error prone. Shifting to modern computer processes will simplify filing for most users, reduce errors, and ease public access to the data.

Goals: To allow easy-to-use electronic filing for candidates, committees, lobbyists and principals and to provide a convenient method for the public to access the data and reduction of errors in the reports filed with the Commissioner of Political Practices.

Performance Criteria: A project charter and a timeline presented to the Joint Appropriation Subcommittee on General Government and Transportation are to be used to track progress.

Milestones: Testing will begin in FY 2008. The new system will be available to users for the 2008 campaign cycle and 2009 lobbyist reporting period.

FTE: Agency is contracting with IT personnel to complete the work.

Funding: Project will be 100 percent general fund.

Obstacles: The high costs and complexities of delivering IT projects are the biggest challenges. Further, since campaign and lobbying filing deadlines are firm, the tendency to miss implementation deadlines with these projects raises those attendant risks.

Risks: The risk of not implementing this project is the continuation of current inefficient processes and the related costs and difficulties for both staff and the public.

DP 3 - Campaign Violation Investigator - The legislature included general fund support for 1.00 FTE and personal service costs of \$118,051 over the biennium for an investigator to resolve campaign violations. The intent of the additional FTE is to resolve campaign violations in a timely manner, reduce backlogs, and issue decisions more rapidly.

DP 4 - Additional Legal Costs (OTO) - The legislature included a one-time-only general fund appropriation to the Commissioner of Political Practices of \$77,500 general fund in each year of the biennium to fund anticipated legal costs and reduce the backlog of unresolved complaints.

DP 5 - Constituent Services Account - The legislature approved funding for COPP to administer legislation related to statewide or legislative office holders establishing and reporting on constituent services accounts.

DP 7 - Broadcast Campaign Advertising Material and Affid - The legislature provided general fund to support broadcast campaign advertising material and affidavit rulemaking and legal costs associated with administering the legislation.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	76.50	1.00	1.00	78.50	1.00	1.00	78.50	78.50
Personal Services	3,422,314	549,631	269,631	4,241,576	562,005	469,540	4,453,859	8,695,435
Operating Expenses	2,659,003	2,729,535	8,160	5,396,698	2,722,843	4,750	5,386,596	10,783,294
Grants	573,215	0	250,958	824,173	0	352,399	925,614	1,749,787
Benefits & Claims	472,478	5,148,534	1,000,000	6,621,012	5,151,722	1,000,000	6,624,200	13,245,212
Total Costs	\$7,127,010	\$8,427,700	\$1,528,749	\$17,083,459	\$8,436,570	\$1,826,689	\$17,390,269	\$34,473,728
General Fund	0	0	0	0	0	0	0	0
State/Other Special	7,127,010	8,427,700	1,528,749	17,083,459	8,436,570	1,826,689	17,390,269	34,473,728
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$7,127,010	\$8,427,700	\$1,528,749	\$17,083,459	\$8,436,570	\$1,826,689	\$17,390,269	\$34,473,728

Agency Description

The Office of the State Auditor (SAO) is authorized under Article VI of the Montana Constitution. The State Auditor is the ex-officio Commissioner of Insurance and Securities and is responsible for licensing and regulating insurance companies and agents, and registering and regulating securities dealers in the state. The auditor also adopts rules and administers reform for the insurance and securities industries operating in the state. The auditor also serves as a member of the Board of Land Commissioners and the Crop Hail Insurance Board.

The statutory duties of the State Auditor are administered from three divisions: Central Management, Insurance, and Securities. The State Auditor's Office is also a conduit for the Fire and Police Retirement Program, a "pass through" program. The Fire and Police Retirements Program funds are from general insurance (33-2-705, MCA) and fire insurance premium taxes (50-3-109, MCA). Funding for this program is disbursed from the general fund. In FY 2006, \$17.8 million went to the Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, the Volunteer Fighters' Compensation Act, local fire department relief associations, municipalities with police department trust funds, and local police pension funds for supplemental benefits.

Agency Highlights

State Auditor's Office Major Budget Highlights	
Total funding increases include:	
♦	Annualization of Insure Montana program costs of \$14.9 from the FY 06 base level
♦	Statewide present law adjustments for personal services of \$1.2 million
♦	\$447,007 for costs associated with insurance examinations
♦	Operating expenses for the Insure Montana program
♦	Additional FTE and operating expenses to archive records into a data base
♦	\$60,300 in FY 2008 and \$56,940 in FY 2009 in state special revenue funds to support 1.00 FTE and operating costs to work in the Captive Insurance program

Summary of Legislative Action

The legislature approved an increase of \$11.4 million of additional state special revenue when compared to the 2007 biennium for the SAO. The majority of the increase is due to annualization of the costs for the Insure Montana premium assistance and business tax credit programs. The premium assistance program, a program to provide small businesses and their employees with assistance in purchasing health care insurance, was begun in FY 2006. The program first insured businesses in January 2006, half-way through the state fiscal year. The program became fully operational in June 2007. The present law adjustment increases allow for the annualization of the program costs to the full amount anticipated in the FY 2009 biennium. New proposals of \$0.6 million per year increase the amount of state special revenue funds allocated to the program and allow for a total of 764 employers and their employees to receive premium assistance during the 2009 biennium.

Business tax credits are also offered to small businesses already providing health insurance benefits to their employees. The legislature approved increasing the amount of funding for this portion of Insure Montana by \$0.4 million per year. The total number of businesses budgeted to receive tax credits during the 2009 biennium is estimated by SAO to be about 700 businesses. Funding for increased database support and additional office space for the program was also included.

Funding for the Montana Comprehensive Health Association was increased by \$603,357 over the 2009 biennium. Revenues from the tobacco settlement fund increases for additional premium assistance to low income Montanans who have been denied insurance due to major illnesses.

Additional state special revenue funding was appropriated to provide for 1.0 FTE and operational costs if the number of captive insurance programs in Montana increases to more than 30. The captive insurance industry has been growing, climbing from a single company receiving a certificate of authority in FY 2001 to 26 companies in FY 2007. In addition to issuing certificates of authority, the SAO does regulatory oversight as required by law.

The legislature approved restricted appropriations for contract examinations conducted on authorized insurers and broker-dealer and registered investment advisory firms conducting business in Montana. The majority of the cost of the examinations is offset by reimbursements from the companies being examined.

The legislature increased funding and added 1.0 FTE for both the Licensing and Rates and Forms Bureaus to archive paper records into an electronic format. The FTE should assist in reducing the backlog of records to be archived.

The legislature also added \$5,000 of general fund to the SAO to provide funding for an annual report to the Legislative Finance Committee on goals and measurable objectives. The LFC requested measurable objectives from the SAO beginning in March 2006 and the legislature requested them as part of the "template" process. The SAO did not comply with either request. The legislature included language in HB 2 requiring the SAO to have a report on goals and measurable objectives by August 15, 2007. The Governor line item vetoed the funding and the language for the reports when he signed HB 2.

Funding

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget			
Agency Program	State Spec.	Grand Total	Total %
01 Central Management	\$ 1,343,262	\$ 1,343,262	3.90%
03 Insurance	31,378,786	31,378,786	91.02%
04 Securities	1,751,680	1,751,680	5.08%
Grand Total	<u>\$ 34,473,728</u>	<u>\$ 34,473,728</u>	<u>100.00%</u>

The SAO is entirely funded by state special revenue generated by insurance fees and taxes levied on the insurance industry of the sale of insurance policies in Montana, and security fees charged to the securities industry for the registration of securities and agents, or for the notices of a federal filing of a federally secured security. Resident and non-resident companies or individuals conducting insurance or security business in Montana are subject to fees. Insurance fees and taxes are deposited into a special revenue account under the same name. Fees generated with security licenses and permits are deposited into a special revenue security fee account. In accordance with 10-1-115, MCA, unspent collections from this account are deposited to the general fund. Deposits to the general fund were approximately \$2.2 million in FY 2006. Consequently, the amount of these funds appropriated to and spent by the office has a direct bearing on general fund.

The legislature added \$21,845,948 in state special revenue from taxes on cigarettes and other tobacco products to be used in the small business insurance pool and tax credit programs. Also, there is \$1,749,787 over the biennium for Montana Comprehensive Health Association, the insurance premium assistance program for low-income Montanans with major illnesses.

Other Legislation

Senate Bill 84 transferred the administration of the forest reserve and other federal funds from the State Auditor's Office to the Department of Administration. The Forest Reserve Shared Revenue was statutorily appropriated to the SAO and distributed to counties in which the forest reserves were situated.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	76.50	77.50	78.50	1.00	77.50	78.50	1.00	
Personal Services	3,422,314	4,018,247	4,241,576	223,329	4,030,667	4,453,859	423,192	646,521
Operating Expenses	2,659,003	5,296,836	5,396,698	99,862	5,286,739	5,386,596	99,857	199,719
Grants	573,215	824,173	824,173	0	925,614	925,614	0	0
Benefits & Claims	472,478	6,621,012	6,621,012	0	6,624,200	6,624,200	0	0
Total Costs	\$7,127,010	\$16,760,268	\$17,083,459	\$323,191	\$16,867,220	\$17,390,269	\$523,049	\$846,240
General Fund	0	0	0	0	0	0	0	0
State/Other Special	7,127,010	16,760,268	17,083,459	323,191	16,867,220	17,390,269	523,049	846,240
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$7,127,010	\$16,760,268	\$17,083,459	\$323,191	\$16,867,220	\$17,390,269	\$523,049	\$846,240

The legislative budget is \$100,700 higher than the proposed executive budget in state special revenue funds each year of the biennium due to the addition of 1.00 FTE and operating costs relating to a Captive Insurance program and additional operating costs relating to the Insure Montana program.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	445,440	107,787	18,112	571,339	109,541	41,665	596,646	1,167,985
Operating Expenses	79,957	10,169	0	90,126	5,194	0	85,151	175,277
Total Costs	\$525,397	\$117,956	\$18,112	\$661,465	\$114,735	\$41,665	\$681,797	\$1,343,262
General Fund	0	0	0	0	0	0	0	0
State/Other Special	525,397	117,956	18,112	661,465	114,735	41,665	681,797	1,343,262
Total Funds	\$525,397	\$117,956	\$18,112	\$661,465	\$114,735	\$41,665	\$681,797	\$1,343,262

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the State Auditor's Office. The division also provides support to the auditor in fulfilling the duties as a member of the state land and hail insurance boards.

Program Highlights

Central Management Division Major Budget Highlights	
♦	Annual increases are due to present law adjustments and a 2 percent increase in rent

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Central Management						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	525,397	100.0%	661,465	100.0%	681,797	100.0%
02235 Insurance Fee Account	505,491	96.2%	622,169	94.1%	640,887	94.0%
02283 Securities Fee Account	19,906	3.8%	39,296	5.9%	40,910	6.0%
Grand Total	\$ 525,397	100.0%	\$ 661,465	100.0%	\$ 681,797	100.0%

This program is funded with state special revenue generated by fees and taxes for entities conducting insurance or security business in Montana as identified and defined in 33-2-705 through 708, MCA.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					126,944					128,766
Vacancy Savings					(19,157)					(19,225)
Inflation/Deflation					509					554
Fixed Costs					8,614					3,045
Total Statewide Present Law Adjustments					\$116,910					\$113,140
DP 1 - Annual Rent Increase	0.00	0	1,069	0	1,069	0.00	0	1,619	0	1,619
DP 6015 - State Motor Pool Rate Change	0.00	0	(23)	0	(23)	0.00	0	(24)	0	(24)
Total Other Present Law Adjustments	0.00	\$0	\$1,046	\$0	\$1,046	0.00	\$0	\$1,595	\$0	\$1,595
Grand Total All Present Law Adjustments					\$117,956					\$114,735

DP 1 - Annual Rent Increase - The legislature provided state special revenue funds for the cost of the annual 2 percent rate increase for rent based upon FY 2006 rates. Rent for FY 2006 was \$26,168.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	0	17,626	0	17,626	0.00	0	41,160	0	41,160
DP 6014 - Retirement Employer Contribution - HB 131										
01	0.00	0	486	0	486	0.00	0	505	0	505
Total	0.00	\$0	\$18,112	\$0	\$18,112	0.00	\$0	\$41,665	\$0	\$41,665

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contribution - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Language

The legislature approved the following language relating to goals and measurable objectives for inclusion in HB 2:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 5. The report must address the following:

- (1) progress toward the goals; and
- (2) measurable objectives that will be used to measure the goals.

If the reports are not received by the legislative finance committee by August 15, 2007, and June 30, 2008, the fiscal year 2009 appropriation is void."

The Governor struck the appropriation provided for the reports and the language when he signed HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	53.50	1.00	1.00	55.50	1.00	1.00	55.50	55.50
Personal Services	2,455,413	335,364	204,734	2,995,511	344,633	345,191	3,145,237	6,140,748
Operating Expenses	2,466,305	2,647,374	8,160	5,121,839	2,650,145	4,750	5,121,200	10,243,039
Grants	573,215	0	250,958	824,173	0	352,399	925,614	1,749,787
Benefits & Claims	472,478	5,148,534	1,000,000	6,621,012	5,151,722	1,000,000	6,624,200	13,245,212
Total Costs	\$5,967,411	\$8,131,272	\$1,463,852	\$15,562,535	\$8,146,500	\$1,702,340	\$15,816,251	\$31,378,786
State/Other Special	5,967,411	8,131,272	1,463,852	15,562,535	8,146,500	1,702,340	15,816,251	31,378,786
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$5,967,411	\$8,131,272	\$1,463,852	\$15,562,535	\$8,146,500	\$1,702,340	\$15,816,251	\$31,378,786

Program Description

The Insurance Division regulates the insurance industry in Montana. The Policyholder Services Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies. The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. The Rates and Forms Bureau is responsible for reviewing form filings and rate filings to ensure compliance with the applicable insurance code. The Licensing Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters. The Investigations Bureau investigates insurance code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution. Insure Montana provides assistance in purchasing health insurance for small business employers and their employees, as well as tax credits for small businesses already providing health insurance.

Program Highlights

Insurance Division Major Budget Highlights	
The legislature added \$11.0 million or 55 percent over the 2007 biennium. Of this total \$9.0 million is related to either increased costs or additional funding for the Insure Montana program.	
The legislature also:	
♦	Approved funds for insurance examinations
♦	Provided FTE for data archiving and captive insurance program regulation
♦	Increased funding for premium assistance through MCHA

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Insurance						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 5,967,411	100.0%	\$ 15,562,535	100.0%	\$ 15,816,251	100.0%
02235 Insurance Fee Account	3,015,397	50.5%	3,810,038	24.5%	3,952,594	25.0%
02769 Health Insurance Premium Assistance	615,450	10.3%	6,557,006	42.1%	6,562,840	41.5%
02770 Health Insurance Tax Credits	1,763,349	29.5%	4,371,318	28.1%	4,375,203	27.7%
02789 6901-Chip/Mcha Tobacco Sett Fd	573,215	9.6%	824,173	5.3%	925,614	5.9%
Grand Total	\$ 5,967,411	100.0%	\$ 15,562,535	100.0%	\$ 15,816,251	100.0%

This program is funded through state special revenue generated from a percentage charge against every insurance policy sold in the state, as well as from charges for insurance company examinations and fees paid by individual agents. The program also receives funding from taxation on tobacco products under the Health and Medicaid Initiatives account for the Insure Montana program and tobacco settlement funds for the Montana Comprehensive Health Association.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				417,139					426,765	
Vacancy Savings				(114,901)					(115,288)	
Inflation/Deflation				8,943					11,341	
Fixed Costs				16,759					(5,207)	
Total Statewide Present Law Adjustments				\$327,940					\$317,611	
DP 1 - Annual Rent Increase	0.00	0	6,175	0	6,175	0.00	0	9,355	0	9,355
DP 2 - Insure Montana FTE	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 3 - Additional Office Space	0.00	0	8,852	0	8,852	0.00	0	9,028	0	9,028
DP 4 - Licensing FTE	1.00	0	42,844	0	42,844	1.00	0	39,525	0	39,525
DP 5 - Insure Montana Annualization	0.00	0	7,433,218	0	7,433,218	0.00	0	7,436,406	0	7,436,406
DP 6 - Contract Examinations (RST)	0.00	0	212,336	0	212,336	0.00	0	234,671	0	234,671
DP 6015 - State Motor Pool Rate Change	0.00	0	(93)	0	(93)	0.00	0	(96)	0	(96)
Total Other Present Law Adjustments										
	1.00	\$0	\$7,803,332	\$0	\$7,803,332	1.00	\$0	\$7,828,889	\$0	\$7,828,889
Grand Total All Present Law Adjustments				\$8,131,272						\$8,146,500

DP 1 - Annual Rent Increase - The legislature provided funding to support an annual rate increase in rent of 2 percent per year based upon FY 2006 rates. Rent for FY 2006 was \$150,953.

DP 2 - Insure Montana FTE - The legislature provided \$100,000 of state special revenue funds in each year of the biennium to support contracting for IT support related to the Insure Montana program.

DP 3 - Additional Office Space - The legislature approved state special revenue appropriations in both fiscal years to provide additional office space to house Insure Montana staff in one central location. The new space is estimated to be 731 square feet at a cost of \$12.11 per square foot in FY 2008 and \$12.35 per square foot in FY 2009.

DP 4 - Licensing FTE - The legislature provided support for 1.00 FTE and \$42,844 in state special revenue in FY 2008 and \$39,525 in FY 2009 to archive paper records in an electronic format.

DP 5 - Insure Montana Annualization - The legislature included \$7,433,219 in FY 2008 and \$7,436,406 in FY 2009 of state special revenue (I-149 revenue) to bring the funding of Insure Montana to the FY 2007 appropriated funding level.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Research done by the University of Montana shows that one in five Montanans does not have health insurance. Fifty-three percent of Montana's uninsured population works full time for small businesses. Montana is a small business state, with 81 percent of businesses employing fewer than 10 people. Many of these small businesses can't afford to provide insurance, in part because they don't have enough employees to seek competitive rates. When surveyed 80 percent said they would provide insurance to their employees, if it was affordable.

Goals: The program has three goals.

- Provide tax credits to small businesses that currently offer their employees health insurance
- Establish a purchasing pool through which small businesses can more competitively bid for health care coverage
- Provide premium assistance to the owners and employees of small businesses participating in the purchasing pool

Performance Criteria:

- Maintain at least 95 percent budget expended and maximum coverage each year program is in operation
- Maintain maximum capacity of businesses covered by Purchasing Pool each year program is in operation.
- Maintain threshold of 630 businesses covered, or maximum capacity, by Tax Credit Program each year program is in operation.

Milestones:

- Renewal of Purchasing Pool coverage contract (October 2006 to Jan 2007).
- Transfer of tax credit encumbered funds to Department of Revenue for distribution to businesses (January 2007).
- Expend 95 percent of budget with maximum coverage (April 2007).
- Renew Purchasing Pool coverage at similar levels and price (December 2006).

FTE: Three FTEs administer this program. A Purchasing Pool Program Specialist, Tax Credit Program Specialist, and a Program Manager

Funding: Insure Montana funding comes from state special revenue health and Medicaid initiatives fund generated by tobacco taxes.

Obstacles:

- Businesses take longer than anticipated to fill out and return coverage applications for the Purchasing Pool (60-90 days versus the expected 30 days).
- Information sharing with the Department of Administration and Department of Revenue must be carefully coordinated to ensure program quality and efficiency.
- Low rates and good coverage must be maintained in a volatile health insurance market.

Risk: Loss of coverage for individuals insured under this program would be detrimental as the unpaid costs of the health care uninsured individuals receive are absorbed by others as losses on unpaid costs are recovered through prices increases.

DP 6 - Contract Examinations (RST) - The legislature approved state special revenue for insurance contract examinations conducted on authorized insurers licensed in Montana at least once every 5 years.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - MCHA Additional Funding										
03	0.00	0	250,958	0	250,958	0.00	0	352,399	0	352,399
DP 102 - Insure Montana Additional Funding										
03	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	0	149,453	0	149,453	0.00	0	289,739	0	289,739
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	0	3,141	0	3,141	0.00	0	3,262	0	3,262
DP 7007 - Captive Insurance Program										
03	1.00	0	60,300	0	60,300	1.00	0	56,940	0	56,940
Total	1.00	\$0	\$1,463,852	\$0	\$1,463,852	1.00	\$0	\$1,702,340	\$0	\$1,702,340

DP 101 - MCHA Additional Funding - The legislature provided additional funding for the Montana Comprehensive Health Association (MCHA) of \$250,958 in FY 2008 and \$352,399 in FY 2009 in state special revenue. This funding is derived from the state tobacco settlement payment distribution.

DP 102 - Insure Montana Additional Funding - The legislature increased funding for the Insure Montana program by \$1,000,000 state special revenue each year of the biennium. In accordance with 33-22-2008(2), MCA, the funding is split 60 percent for premium assistance and employer incentives and 40 percent for tax credits.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 7007 - Captive Insurance Program - The legislature approved \$60,300 in FY 2008 and \$56,940 in FY 2009 in state special revenue funds to support 1.00 FTE and operating costs to work in the Captive Insurance program.

Language

"Captive Insurance Program funding may be used only when the number of captive insurance companies registered with the office of the state auditor reaches 30."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	521,461	106,480	46,785	674,726	107,831	82,684	711,976	1,386,702
Operating Expenses	112,741	71,992	0	184,733	67,504	0	180,245	364,978
Total Costs	\$634,202	\$178,472	\$46,785	\$859,459	\$175,335	\$82,684	\$892,221	\$1,751,680
State/Other Special	634,202	178,472	46,785	859,459	175,335	82,684	892,221	1,751,680
Total Funds	\$634,202	\$178,472	\$46,785	\$859,459	\$175,335	\$82,684	\$892,221	\$1,751,680

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and, in particular, for the registration of securities issuers, salespeople, broker-dealers, investment advisers, and investment adviser representatives. The division also is responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$25 million. The Investigations Bureau investigates securities code and rule violations, including possible criminal violations, and refers cases to county attorneys for prosecution.

Program Highlights

Securities Division	
Major Budget Highlights	
Total funding increases are due to:	
♦	Statewide present law adjustments
♦	A 2 percent rent increase
♦	Increased funding for costs associated with security contract examinations

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Securities						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 634,202	100.0%	\$ 859,459	100.0%	\$ 892,221	100.0%
02283 Securities Fee Account	634,202	100.0%	859,459	100.0%	892,221	100.0%
Grand Total	\$ 634,202	100.0%	\$ 859,459	100.0%	\$ 892,221	100.0%

The Securities Program is funded with state special revenue from the securities fee account, which receives its revenue from securities portfolio registration fees charged to investment advisors and investment companies, as well as from security licenses and permits. In accordance with 30-1-115, MCA, unspent collections from security licenses and permits are deposited to the general fund. Deposits to the general fund were approximately \$2.2 million in FY 2006. Therefore, appropriations to the program directly impact the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					132,644					134,052
Vacancy Savings					(26,164)					(26,221)
Inflation/Deflation					688					800
Fixed Costs					6,708					875
Total Statewide Present Law Adjustments					\$113,876					\$109,506
DP 1 - Annual Rent Increase	0.00	0	1,425	0	1,425	0.00	0	2,159	0	2,159
DP 2 - Contract Examinations	0.00	0	63,193	0	63,193	0.00	0	63,693	0	63,693
DP 6015 - State Motor Pool Rate Change	0.00	0	(22)	0	(22)	0.00	0	(23)	0	(23)
Total Other Present Law Adjustments	0.00	\$0	\$64,596	\$0	\$64,596	0.00	\$0	\$65,829	\$0	\$65,829
Grand Total All Present Law Adjustments					\$178,472					\$175,335

DP 1 - Annual Rent Increase – The legislature funded an annual rate increase of 2 percent increase based upon FY 2006 rates. Rent for FY 2006 was \$36,308.

DP 2 - Contract Examinations – The legislature provided a state special revenue appropriation for the Securities Program to conduct routine examinations of broker-dealer firms and registered investment advisory firms locations on a 5-year schedule through its staff as well as an independent contractor to ensure proper supervisory structures are in place and to prevent and detect sales practice violations. The cost of the examinations is offset by reimbursements from the security companies.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	0	46,089	0	46,089	0.00	0	81,962	0	81,962
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	0	696	0	696	0.00	0	722	0	722
Total	0.00	\$0	\$46,785	\$0	\$46,785	0.00	\$0	\$82,684	\$0	\$82,684

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

SECURITIES

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	2,238.56	(59.22)	7.00	2,186.34	(109.60)	7.00	2,135.96	2,135.96
Personal Services	113,361,139	16,643,421	4,543,540	134,548,100	14,582,185	9,644,567	137,587,891	272,135,991
Operating Expenses	335,018,576	28,839,941	4,338,980	368,197,497	30,591,777	2,285,498	367,895,851	736,093,348
Equipment	1,705,344	(221,804)	0	1,483,540	(56,804)	0	1,648,540	3,132,080
Capital Outlay	14,298,398	101,500	0	14,400,098	100,000	0	14,398,598	28,798,696
Local Assistance	382,400	0	0	382,400	0	0	382,400	764,800
Grants	10,418,174	1,788,664	7,051,169	19,258,007	480,664	7,771,805	18,670,643	37,928,650
Transfers	10,283	0	0	10,283	0	0	10,283	20,566
Debt Service	250	0	0	250	0	0	250	500
Total Costs	\$475,194,764	\$47,151,722	\$15,933,689	\$538,280,175	\$45,697,822	\$19,701,870	\$540,594,456	\$1,078,874,631
General Fund	0	0	3,000,000	3,000,000	0	0	0	3,000,000
State/Other Special	233,537,178	(8,302,871)	4,908,948	230,143,255	(14,640,624)	8,827,623	227,724,177	457,867,432
Federal Special	241,657,586	55,454,593	8,024,741	305,136,920	60,338,446	10,874,247	312,870,279	618,007,199
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$475,194,764	\$47,151,722	\$15,933,689	\$538,280,175	\$45,697,822	\$19,701,870	\$540,594,456	\$1,078,874,631

Agency Description

The Department of Transportation is the agency responsible for administering the multimodal transportation network in Montana. The department plans, designs, builds, and maintains the statewide network of highways. It is responsible for collecting and distributing highway user fees and fuel taxes. The department enforces state and federal laws for commercial motor carriers and registers interstate fleet vehicles. The department also facilitates the operation and infrastructure of airports and airways in Montana, registers aircraft and pilots, and maintains several state-owned airports. The department represents Montana interests in railroad planning issues and supports local entities in overall transportation planning and transit assistance.

Agency Highlights

Department of Transportation	
Major Budget Highlights	
◆	Increases associated with the updated highway construction plan add \$70.7 million in total funds to bring funding levels in line with the most recent federal-aid funding authorization, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)
•	Statewide present law adjustments add \$29.5 million
•	The state employee pay plan provided for in HB 13 and employer contribution increases to retirement systems provided for in HB 131, both of the regular session, add \$13.5 million
•	\$3.0 million general fund is added for legal costs to address rail competition and captive shipper rates in Montana and no general fund existed prior
•	Agency costs to rent equipment from an internal equipment pool increase \$7.3 million or about 16.2 percent compared to the 2007 biennium
•	State special revenue is reduced by \$30.8 million to align expenditures and revenues of the highways state special revenue account through: 1) reductions in the state funded construction

- program; and 2) unspecified reductions in the maintenance and construction programs
- Federal special revenue is increased by \$23.5 million or 4.0 percent primarily due to: 1) contractor payments for the increased federal-aid construction program under SAFETEA-LU; 2) increased transit funds; and 3) new planning requirements of SAFETEA-LU
- ◆ Staffing is reduced by 52.22 FTE in FY 2008 and 102.6 FTE in FY 2009 to reflect the latest construction plan and the reduced number of projects in the plan
- ◆ Highways state special revenue account (HSRA) funding is balanced between revenues and expenditures
 - Reductions to state special revenue are included to keep HSRA solvent while still matching all federal funds available to Montana
- ◆ A supplemental appropriation of \$1.33 million general fund was approved for FY 2007 to help repay an operating loan taken out in the 2007 biennium by the State Motor Pool due to the impacts of high gasoline prices

Summary of Legislative Action

The legislative budget for total funds is \$16.3 million less than the 2007 biennium and includes funding for HB 2 of the special session and HB 13 of the regular session. HB 13 funds the pay plan increases for the 2009 biennium. The legislative budget includes the following:

- Program reductions totaling \$30.8 million of state funds that are intended to improve the balance of expenditures from the highways state special revenue account with revenues into the account
- Appropriations to fully expend all federal-aid funding for highway construction and maintenance, including all state matching funds
- Appropriations for significantly increased federal transit funding, including all state matching funds passed through from local governments
- Appropriations to address the impacts of new requirements of SAFETEA-LU for federal-aid highways funding
- Movement of the traffic safety function from the Construction Program to the Transportation Planning Program
- Funding to address rail competition and captive shipper rates in Montana

Agency Discussion

Working Capital Projections

After legislative action, the revised analysis of the highways state special revenue account (HSRA) projects that the working capital balance of the account would be \$19.9 million by the end of FY 2009 if historical reversions occur in FY 2007. Anticipated revenues exceed appropriations by \$7.3 million for the two years of the 2009 biennium. These estimates are based on the budget as approved by the legislature, and assume revenue estimates adopted in HJ 2 for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes for FY 2007 and the 2009 biennium. The impacts of the statewide pay plan (HB 13 of the regular session) for the transportation and justice departments are included as is other legislation with fiscal impacts on the account.

The analysis shown of the following figure presents two pictures for the financial condition of HSRA: 1) one that assumes all FY 2007 appropriations are expended; and 2) one that assumes a portion of FY 2007 appropriations would revert at the average historical level. Both pictures assume the department will fully match all federal funds available to Montana. Because the department operates with biennial appropriations in the programs that are funded with HSRA, the portion of FY 2006 appropriations that were not expended in FY 2006 continue into FY 2007. This explains the apparently high appropriation levels for FY 2007 in the Construction and Transportation Planning programs. Under the assumption of full expenditure of appropriations the executive would need to revert more than \$22.7 million in order to end the 2007 biennium without expending all available working capital. However, if historical reversions occurred in FY 2007, the FY 2007 ending balance would be roughly \$12.5 million. Through May, cumulative revenues are trending above revenues for all previous fiscal years through May, except for FY 2005. Also, expenditures of HB 2 appropriations

are lagging behind appropriations as prorated to the current proportion of the fiscal year, which indicates that historical reversion rates would likely occur for FY 2007.

Working Capital Analysis - Highways State Special Revenue Account

Fiscal Years 2006- 2011

(in Millions)

Description	FY 2006 Actual	FY 2007 Approp.	FY 2008 Approp.	FY 2009 Approp.	FY 2010 Forecast	FY 2011 Forecast
Beginning Working Capital Balance	\$43.6	\$27.2	(\$22.7)	(\$20.1)	(\$15.4)	(\$8.6)
Revenues						
Gasoline tax (net of refunds)	\$129.4	\$129.9	\$130.3	\$130.9	\$131.4	\$131.9
Diesel tax (net of refunds)	67.8	71.3	75.0	78.9	83.0	87.4
Gross vehicle weight fees (GVW)	27.6	27.4	27.5	29.0	30.5	32.2
Indirect cost recovery (based on agency input)	31.2	29.5	32.0	30.7	35.5	35.5
Other revenues	15.6	15.6	15.6	15.6	15.6	15.6
Revenue deductions						
Gasahol tax reduction (based on agency input)	(0.3)	(0.5)	(0.7)	(0.7)		
Alcohol production incentives (15-70-522, MCA)	0.0	0.0	(0.9)	(4.0)	(6.0)	(6.0)
Total Revenues	<u>\$271.2</u>	<u>\$273.2</u>	<u>\$279.0</u>	<u>\$280.3</u>	<u>\$290.1</u>	<u>\$296.6</u>
Expenditures						
Department of Transportation (DOT)						
Statutory Appropriations	\$21.7	\$22.0	\$20.6	\$20.6	\$20.6	\$20.6
General Operations Program	19.8	20.8	22.4	23.5	24.2	24.9
Construction Program	113.1	147.5	89.6	85.3	87.9	90.5
Maintenance Program	94.6	92.0	101.5	103.1	106.2	109.4
Motor Carriers Services	5.2	6.2	7.0	7.2	7.4	7.6
Transportation Planning	2.0	3.4	4.4	4.5	4.7	4.8
Department of Transportation (HB 2 and HB 13)	\$256.5	\$291.8	\$245.4	\$244.1	\$250.8	\$257.7
Governor's Office (Rail Service Competition Council)	0.1	0.1	0.0	0.0	0.0	0.0
Department of Commerce (Main Street Program)	0.1	0.1	0.0	0.0	0.0	0.0
Department of Justice (HB 2 and HB 13)	24.4	26.1	28.2	28.7	29.5	30.4
HB 131 (2007 Legislature)			0.1	0.1	0.2	0.2
Long-Range Building Program						
Maintenance and repair of DOT buildings	1.7	3.1	1.9	1.9	1.9	1.9
Department of Fish, Wildlife & Parks	0.8	1.7	0.8	0.8	0.8	0.8
Total Long-Range Building Program	\$2.5	\$4.9	\$2.6	\$2.6	\$2.6	\$2.6
Transfer for noxious weeds (80-7-823, MCA)	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditures	<u>\$283.6</u>	<u>\$323.1</u>	<u>\$276.4</u>	<u>\$275.6</u>	<u>\$283.3</u>	<u>\$291.1</u>
Revenues less expenditures	(12.4)	(49.9)	2.6	4.7	6.8	5.5
Adjustments	4.1					
Ending Working Capital Balance	<u>\$27.2</u>	<u>(\$22.7)</u>	<u>(\$20.1)</u>	<u>(\$15.4)</u>	<u>(\$8.6)</u>	<u>(\$3.1)</u>
Average reversions (FY 2000 through FY 2006)		\$35.2				
Ending Working Capital Balance (with average reversions)		<u>\$12.5</u>	<u>\$15.1</u>	<u>\$19.8</u>	<u>\$26.6</u>	<u>\$32.2</u>

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 General Operations Program	\$ 3,000,000	\$ 45,880,369	\$ 3,195,399	\$ 52,075,768	4.83%
02 Construction Program	-	174,972,027	552,302,786	727,274,813	67.41%
03 Maintenance Program	-	204,707,024	14,685,660	219,392,684	20.34%
22 Motor Carrier Services Div.	-	14,159,553	4,355,871	18,515,424	1.72%
40 Aeronautics Program	-	3,927,486	2,041,704	5,969,190	0.55%
50 Transportation Planning Divisi	-	14,220,973	41,425,779	55,646,752	5.16%
Grand Total	\$ 3,000,000	\$ 457,867,432	\$ 618,007,199	\$ 1,078,874,631	100.00%

Other Legislation

Senate Bill 62 - SB 62 of the regular session increased the daily rate paid to advisory board members from \$25 to \$50. SB 62 impacts the design-build advisory council of the department and would add \$300 annually to the costs of the department. No increase over the executive budget was provided for the direct impacts of SB 62 and the costs will be absorbed in the agency's operating budget. SB 62 has become law.

Senate Bill 302 - SB 302 of the regular session removed the daytime speed limit restriction on Highway 93 near Whitefish. The fiscal note indicates SB 302 would cost \$4,525 state special revenue in FY 2008 to implement. The costs are for materials and labor to replace the speed limit signs on the affected section of Highway 93. No additional funding was added to HB 2 for SB 302 impacts. SB 302 has become law.

House Bill 3 - A supplemental appropriation of \$1.33 million general fund for FY 2007 was approved in HB 3 of the regular session to provide relief for the State Motor Pool due to financial impacts on motor pool operations that resulted from higher than anticipated gasoline prices during the 2007 biennium. The 2005 legislature approved rates based on assumptions of significantly lower gasoline prices and since the legislative rates are the maximum that can be charged, the State Motor Pool was limited from raising rates in response to higher than anticipated gasoline prices, which caused the State Motor Pool to operate on debt financing. The supplemental appropriation will be used to repay a portion of the operating loan taken out during the 2007 biennium. HB 3 has become law.

House Bill 4 - HB 4 of the special session includes funding for capital projects that support department facilities statewide and includes \$4.185 million in funding for department facilities. HB 4 has become law.

House Bill 26 - HB 26 of the regular session expanded the size of the rail service competition council from six to seven members and transferred the administrative responsibilities from the Governor's Office to the department. For the 2009 biennium, the fiscal impact on the department is an increase of \$50,000 state special revenue per year, which was appropriated directly in HB 26. For future biennia, the administrative costs would be included in the department's operating budget. HB 26 has become law.

House Bill 531 - HB 531 of the regular session designates a portion for Highway 212 as the Warrior Trail Highway. One-time funding to install signs for the highway has been included in HB 2 by new proposal DP 325 in the Maintenance Program. HB 531 has become law.

House Bill 556 - HB 556 of the regular session allows special fuel users to use dyed fuel on certain off highway construction projects with a permit issued by the department. To administer HB 556, the department has stated the need to modify the department's computerized permitting system at an estimated cost of \$20,000 in FY 2008. One-time funding for the computer system modification has been included in HB 2 by new proposal DP 2215 in the Motor Carrier Services Program. HB 556 has become law.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	2,238.56	2,186.34	2,186.34	0.00	2,135.96	2,135.96	0.00	
Personal Services	113,361,139	130,372,755	134,548,100	4,175,345	128,311,925	137,587,891	9,275,966	13,451,311
Operating Expenses	335,018,576	368,018,685	368,197,497	178,812	367,762,425	367,895,851	133,426	312,238
Equipment	1,705,344	1,483,540	1,483,540	0	1,648,540	1,648,540	0	0
Capital Outlay	14,298,598	14,400,098	14,400,098	0	14,398,598	14,398,598	0	0
Local Assistance	382,400	382,400	382,400	0	382,400	382,400	0	0
Grants	10,418,174	19,258,007	19,258,007	0	18,670,643	18,670,643	0	0
Transfers	10,283	10,283	10,283	0	10,283	10,283	0	0
Debt Service	250	23,250	250	(23,000)	23,250	250	(23,000)	(46,000)
Total Costs	\$475,194,764	\$533,949,018	\$538,280,175	\$4,331,157	\$531,208,064	\$540,594,456	\$9,386,392	\$13,717,549
General Fund	0	3,000,000	3,000,000	0	0	0	0	0
State/Other Special	233,537,178	227,167,089	230,143,255	2,976,166	220,968,102	227,724,177	6,756,075	9,732,241
Federal Special	241,657,586	303,781,929	305,136,920	1,354,991	310,239,962	312,870,279	2,630,317	3,985,308
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$475,194,764	\$533,949,018	\$538,280,175	\$4,331,157	\$531,208,064	\$540,594,456	\$9,386,392	\$13,717,549

For the biennium, the legislative budget is \$13.5 million more in total funds than the executive budget. Besides the pay plan in HB 13 of the regular session that adds \$13.2 million, the difference is due to the following:

- Items included in the legislative budget that were not in the executive budget:
 - Funding for a federal civil rights grant that was not in the executive budget at the time of the Legislative Budget Analysis. The federal civil rights grant provides funding for services to disadvantaged businesses and for an on-the-job training program for Native Americans and women to obtain employment as entry-level heavy equipment operators and truck drivers (\$369,000)
 - Funding to address the fiscal impacts of HB 531 that designates a portion of Highway 212 as the Warrior Trail Highway (\$25,000)
 - Funding to address the fiscal impacts of HB 556 that allows special fuel users to use dyed fuel on certain off highway construction projects with a permit issued by the department (\$20,000)
 - Funding reduction for State Motor Pool payments (\$3,000)
- Executive requests that were not funded:
 - An increase in the clothing allowance for Motor Carrier Services Division officers (\$75,000)
 - Debt service on a loan to purchase an airplane (\$46,000)
 - Rental payments for a mobile portable weigh station office and truck to pull it (\$14,500)
 - Travel of an new management position added during a reorganization in the current biennium (\$10,000)

Language

HB 2 of the special session includes the following language for the department:

“The department may adjust appropriations in the general operations, construction, maintenance, and transportation planning programs between state special revenue and federal special revenue funds if the total state special revenue authority for these programs is not increased by more than 10% of the total appropriations established by the legislature for each program.

All federal special revenue appropriations in the department are biennial.

All state special revenue appropriations in the general operations, construction, maintenance, and transportation planning programs are biennial.

All remaining federal pass-through grant appropriations for highway traffic safety, including reversions, for the 2007 biennium are authorized to continue and are appropriated in fiscal year 2008 and fiscal year 2009.”

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	181.77	6.00	0.00	187.77	6.00	0.00	187.77	187.77
Personal Services	8,978,523	2,559,810	386,489	11,924,822	2,594,669	870,820	12,444,012	24,368,834
Operating Expenses	10,958,742	930,417	3,000,000	14,889,159	1,283,533	0	12,242,275	27,131,434
Equipment	394,152	(284,152)	0	110,000	(79,152)	0	315,000	425,000
Grants	75,000	0	0	75,000	0	0	75,000	150,000
Debt Service	250	0	0	250	0	0	250	500
Total Costs	\$20,406,667	\$3,206,075	\$3,386,489	\$26,999,231	\$3,799,050	\$870,820	\$25,076,537	\$52,075,768
General Fund	0	0	3,000,000	3,000,000	0	0	0	3,000,000
State/Other Special	19,516,004	2,501,333	385,044	22,402,381	3,094,271	867,713	23,477,988	45,880,369
Federal Special	890,663	704,742	1,445	1,596,850	704,779	3,107	1,598,549	3,195,399
Total Funds	\$20,406,667	\$3,206,075	\$3,386,489	\$26,999,231	\$3,799,050	\$870,820	\$25,076,537	\$52,075,768

Program Description

The General Operations Program administers motor fuel taxes and provides administrative support services for the department, including general administration and management, accounting and budgeting, public affairs, information technology services, human resources activities, compliance review, and goods and services procurement.

Program Highlights

Department of Transportation General Operations Program Major Budget Highlights	
♦	\$3.0 million general fund is added for legal costs to address rail competition and captive shipper rates in Montana and no general fund existed prior
♦	Budget adjustments increase state special revenue by \$6.8 million primarily due to: 1) statewide present law adjustments; 2) maintenance contract increases and enhancement for the management system that administers interstate motor carrier registrations; and 3) information technology maintenance costs
♦	Budget adjustments increase federal special revenue by \$1.4 million primarily to: 1) consolidate most department training in the program and fund it with federal funds; and 2) fund increases to federal civil rights grants that provide on-the-job training and services to disadvantaged businesses and individuals engaged in transportation related fields
♦	Staffing is increased by 6.00 FTE
♦	Training costs are consolidated from other programs to leverage federal funds

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
General Operations Progr						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ -	-	\$ 3,000,000	11.1%	\$ -	-
01100 General Fund	-	-	3,000,000	11.1%	-	-
02000 Total State Special Funds	19,516,004	95.6%	22,402,381	83.0%	23,477,988	93.6%
02422 Highways Special Revenue	19,516,004	95.6%	22,402,381	83.0%	23,477,988	93.6%
03000 Total Federal Special Funds	890,663	4.4%	1,596,850	5.9%	1,598,549	6.4%
03407 Highway Trust - Sp Rev	890,663	4.4%	1,596,850	5.9%	1,598,549	6.4%
Grand Total	\$ 20,406,667	100.0%	\$ 26,999,231	100.0%	\$ 25,076,537	100.0%

The General Operations Program is typically funded from the highways state special revenue fund and federal special revenue. For the 2009 biennium, general fund supports efforts to address Montana rail shipping rates. The highways state special revenue fund receives revenue primarily from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, training, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
FTE	Fiscal 2008				FTE	Fiscal 2009			
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
Personal Services				2,530,009					2,565,834
Vacancy Savings				(460,343)					(461,766)
Inflation/Deflation				15,559					16,452
Fixed Costs				740,311					715,134
Total Statewide Present Law Adjustments				\$2,825,536					\$2,835,654
DP 1101 - Overtime/Differential	0.00	0	56,544	56,544	0.00	0	56,544	0	56,544
DP 1102 - Equipment Rental	0.00	0	11,865	11,865	0.00	0	10,025	0	10,025
DP 1302 - Training Program	0.00	0	540,238	540,238	0.00	0	0	540,238	540,238
DP 1303 - Civil Rights Federal Grants Increase	0.00	0	184,680	184,680	0.00	0	0	184,680	184,680
DP 1401 - Software Upgrade - OTO	0.00	51,000	0	51,000	0.00	0	0	0	0
DP 1407 - Motor Fuels System Enhancements	0.00	0	15,000	15,000	0.00	0	0	10,000	10,000
DP 1502 - ACS Contract - Restricted	0.00	234,449	0	234,449	0.00	0	256,151	0	256,151
DP 1503 - Convert Modified FTE to Permanent	6.00	(500,000)	0	(500,000)	6.00	0	(500,000)	0	(500,000)
DP 1508 - IT Cost Reductions	0.00	(173,003)	0	(173,003)	0.00	0	(173,003)	0	(173,003)
DP 1509 - IT Equipment Replacement	0.00	(79,789)	0	(79,789)	0.00	0	540,911	0	540,911
DP 1510 - Software Cost Reduction	0.00	(97,220)	0	(97,220)	0.00	0	(107,220)	0	(107,220)
DP 1511 - Print Shop Reduction	0.00	(18,760)	0	(18,760)	0.00	0	(18,760)	0	(18,760)
DP 1512 - IT Maintenance Costs	0.00	155,642	0	155,642	0.00	0	163,940	0	163,940
DP 6015 - State Motor Pool Rate Change	0.00	(103)	(4)	(107)	0.00	0	(106)	(4)	(110)
Total Other Present Law Adjustments	6.00	\$0	(\$359,375)	\$739,914	6.00	\$0	\$228,482	\$734,914	\$963,396
Grand Total All Present Law Adjustments				\$3,206,075					\$3,799,050

DP 1101 - Overtime/Differential - The legislative budget includes \$113,100 state special revenue to reestablish base year overtime, differential pay, and associated benefits and taxes.

DP 1102 - Equipment Rental - The legislative budget includes an increase of \$21,900 state special revenue to fund the program share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 1302 - Training Program - The legislative budget includes an increase of \$1.1 million federal special revenue to consolidate training for the General Operations, Construction, Motor Carrier Services, and Transportation Planning Programs. Corresponding requests in the other listed programs eliminate state special revenue funded base training expenditures for a net biennium increase of \$0.5 million.

DP 1303 - Civil Rights Federal Grants Increase - The legislative budget includes an increase of \$369,400 federal special revenue for federal civil rights grants in two program areas: 1) on-the-job training (OJT) program; and 2) disadvantaged business entity support services (DBE/SS) program. The OJT funding would provide Native Americans and women training to obtain employment as entry-level heavy equipment operators and truck drivers. The DBE/SS funding provides a variety of services to disadvantaged businesses to assist in making them more competitive in the project bidding process.

DP 1401 - Software Upgrade - OTO - The legislative budget includes an increase of \$51,000 state special revenue to fund enhancements to the Personal Services Budget Monitoring (PSBM) system that would allow the system to capture actual expenditures from the State Accounting, Budgeting, and Human Resources System (SABHRS) rather than from a payroll system internal to the agency. The funding is designated as one time only.

DP 1407 - Motor Fuels System Enhancements - The legislative budget includes an increase of \$25,000 federal special revenue to fund enhancements, including the development of new reports, to the computerized management systems used to process motor fuel distributor and dyed fuel information.

DP 1502 - ACS Contract - Restricted - The legislative budget includes an increase of \$490,600 state special revenue to fund increases for the system maintenance contract (\$90,600) and enhancements (\$400,000) for the software used by the department to administer and enforce state and federal commercial motor carrier laws and regulations and administer interstate motor carrier registration and motor fuel tax agreements. The funding is restricting only to this purpose.

DP 1503 - Convert Modified FTE to Permanent - The legislative budget includes a net reduction of \$1.0 million state special revenue to add 6.00 FTE staff and reduce contracted services for computer programmers.

DP 1508 - IT Cost Reductions - The legislative budget includes a reduction of \$346,000 state special revenue to address funding impacts of a methodology change in the Department of Administration (DOA) for allocating charges for information technology resources to agencies and to reallocate costs due to migration of financial applications off the mainframe environment to Oracle applications in the mid-tier environment.

DP 1509 - IT Equipment Replacement - The legislative budget includes a net increase of \$461,000 state special revenue to fund: 1) an increase to replace agency-owned video equipment used for video conferencing; 2) an increase to replace desktop computer units that were not funded through the four-year replacement cycle funding in the base year; and 3) a reduction associated with the purchase of network equipment purchased in the base year by the department but which will be funded by the Department of Administration in the future.

DP 1510 - Software Cost Reduction - The legislative budget includes a reduction of \$204,400 state special revenue because expenditures for software purchased in the base year as part of a major software rollout will not occur during the biennium and other software will now be purchased by the Department of Administration as part of services funded through desktop services charge.

DP 1511 - Print Shop Reduction - The legislative budget includes a reduction of \$37,500 state special revenue to eliminate base funding that will no longer be needed due to a consolidation of equipment in the print shop.

DP 1512 - IT Maintenance Costs - The legislative budget includes an increase of \$319,600 state special revenue to annualize funding for maintenance of new computer equipment and applications that were in operation for only part of the base year.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1103 - Agency's Goals and Objectives Reporting										
01	0.00	0	0	0	0	0.00	0	0	0	0
DP 1501 - Surface Transportation Litigation (OTO/Biennial)										
01	0.00	3,000,000	0	0	3,000,000	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	0	372,481	1,444	373,925	0.00	0	854,654	3,106	857,760
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	0	12,563	1	12,564	0.00	0	13,059	1	13,060
Total	0.00	\$3,000,000	\$385,044	\$1,445	\$3,386,489	0.00	\$0	\$867,713	\$3,107	\$870,820

DP 1103 - Agency's Goals and Objectives Reporting - The legislative budget included an increase of \$5,000 general fund to provide reporting to the Legislative Finance Committee on progress toward attainment of agency goals and objectives. The Governor subsequently vetoed the funding and the associated language that required and defined the reporting requirements.

DP 1501 - Surface Transportation Litigation (OTO/Biennial) - The legislative budget includes an increase of \$3.0 million in the general fund to retain consultants, experts and specialized legal counsel to analyze rail rate and service issues and to pursue legal remedies, including litigation before the Surface Transportation Board and the courts, against unreasonable rail rates and practices, and remedies for regulatory inaction. The funding is designated as biennial, restricted, and one time only.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Language

The legislative budget included the following language for the General Operations Program, but the Governor subsequently vetoed the language and associated line-item appropriation:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objective presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 1503 and new proposal decision packages 2204, 5001, and 5004. The report must address the following:

- (1) progress toward the goals; and
- (2) attainment of measurable objectives.

If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	1,105.52	(80.72)	0.00	1,024.80	(131.10)	0.00	974.42	974.42
Personal Services	57,034,086	6,582,029	2,009,944	65,626,059	4,073,789	4,349,046	65,456,921	131,082,980
Operating Expenses	260,631,173	19,827,365	0	280,458,538	23,798,714	0	284,429,887	564,888,425
Equipment	1,027,634	0	0	1,027,634	0	0	1,027,634	2,055,268
Capital Outlay	14,294,241	0	0	14,294,241	0	0	14,294,241	28,588,482
Local Assistance	382,400	(382,400)	0	0	(382,400)	0	0	0
Grants	4,917,935	(4,588,106)	0	329,829	(4,588,106)	0	329,829	659,658
Total Costs	\$338,287,469	\$21,438,888	\$2,009,944	\$361,736,301	\$22,901,997	\$4,349,046	\$365,538,512	\$727,274,813
State/Other Special	113,075,193	(24,465,359)	1,023,941	89,633,775	(29,962,705)	2,225,764	85,338,252	174,972,027
Federal Special	225,212,276	45,904,247	986,003	272,102,526	52,864,702	2,123,282	280,200,260	552,302,786
Total Funds	\$338,287,469	\$21,438,888	\$2,009,944	\$361,736,301	\$22,901,997	\$4,349,046	\$365,538,512	\$727,274,813

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, environmental documents and permits, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved as meeting established construction standards. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

Program Highlights

Department of Transportation Construction Program Major Budget Highlights	
♦	Budget adjustments reduce state special revenue by \$54.4 million primarily due to reductions in state funded construction program expenditures and reduced state matching requirements in the federal-aid construction program
♦	Budget adjustments increase federal special revenue by \$98.8 million primarily due to higher federal-aid funding levels and participation percentages of SAFETEA-LU
♦	Staffing is reduced by 70.72 FTE in FY 2008 and by 121.10 FTE in FY 2009 primarily because high construction cost inflation has reduced the number of construction projects, even with more federal funds
♦	State funded construction funding is reduced to about \$10.0 million per year to align revenues and expenditures to maintain fund solvency

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table							
Construction Program							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
02000 Total State Special Funds	\$ 113,075,193	33.4%	\$ 89,633,775	24.8%	\$ 85,338,252	23.3%	
02422 Highways Special Revenue	113,075,193	33.4%	89,633,775	24.8%	85,338,252	23.3%	
03000 Total Federal Special Funds	225,212,276	66.6%	272,102,526	75.2%	280,200,260	76.7%	
03407 Highway Trust - Sp Rev	219,251,650	64.8%	272,098,399	75.2%	280,200,260	76.7%	
03828 Traffic Safety	5,960,626	1.8%	4,127	0.0%	-	-	
Grand Total	\$ 338,287,469	100.0%	\$ 361,736,301	100.0%	\$ 365,538,512	100.0%	

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana and distributed by the U.S. Department of Transportation. Construction design, construction, and construction management costs, as well as direct administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 87 percent federal with a 13 percent state match for most direct construction related costs. The program also provides a maintenance-of-effort highway construction program funded entirely with highways state special revenue. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. Traffic safety functions are generally funded 100 percent with National Highway Traffic Safety Administration grant funds. The exception is that a 50 percent state special revenue match is required for roughly 1 percent of the administrative costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments												
Fiscal 2008						Fiscal 2009						
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds			
Personal Services				9,416,210					9,701,530			
Vacancy Savings				(2,657,989)					(2,669,415)			
Inflation/Deflation				35,614					44,046			
Fixed Costs				4,056					3,287			
Total Statewide Present Law Adjustments				\$6,797,891					\$7,079,448			
DP 201 - Contractor Payments/Federal Aid Construction Prog	0.00	0	4,752,267	28,115,565	32,867,832	0.00	0	4,695,861	33,171,971	37,867,832		
DP 202 - Contractor Payments/State Construction Program	0.00	0	(11,267,261)	0	(11,267,261)	0.00	0	(11,267,261)	0	(11,267,261)		
DP 203 - Construction Management FTE Adjustments	(73.72)	0	(1,426,110)	(1,767,149)	(3,193,259)	(124.10)	0	(2,910,466)	(3,629,907)	(6,540,373)		
DP 208 - Overtime/Differential	0.00	0	2,308,645	2,000,137	4,308,782	0.00	0	2,325,450	1,983,332	4,308,782		
DP 209 - Equipment Rental	0.00	0	117,759	509,286	627,045	0.00	0	86,460	416,509	502,969		
DP 210 - Program Reductions	0.00	0	(90,485)	(391,332)	(481,817)	0.00	0	(142,989)	(688,828)	(831,817)		
DP 211 - Training Reductions	0.00	0	(251,879)	0	(251,879)	0.00	0	(251,879)	0	(251,879)		
DP 226 - NHTSA Transfer	(7.00)	0	(1,935,768)	(6,031,436)	(7,967,204)	(7.00)	0	(1,935,199)	(6,029,228)	(7,964,427)		
DP 6015 - State Motor Pool Rate Change	0.00	0	(347)	(895)	(1,242)	0.00	0	(342)	(935)	(1,277)		
Total Other Present Law Adjustments												
(80.72)				\$0	(\$7,793,179)	\$22,434,176	\$14,640,997	(131.10)	\$0	(\$9,400,365)	\$25,222,914	\$15,822,549
Grand Total All Present Law Adjustments												
				\$21,438,888					\$22,901,997			

DP 201 - Contractor Payments/Federal Aid Construction Prog - The legislative budget includes an increase of about \$70.7 million combined state special and federal special revenue to fund payments to highway construction contractors based on department estimates of federal-aid funding and the corresponding highway construction plan last updated at the end of 2006.

DP 202 - Contractor Payments/State Construction Program - The legislative budget includes a reduction of \$22.5 million state special revenue to reduce the state funded construction program to the minimum amount of state maintenance of effort required to receive a favorable federal participation rate on federal aid projects.

DP 203 - Construction Management FTE Adjustments - The legislative budget includes net reductions of 73.72 FTE in FY 2008 and 124.10 FTE in FY 2009, in combination with adjustments for preliminary and construction engineering functions in support of highway construction. The adjustment results in reductions of \$9.7 million combined state special and federal special revenue for the biennium. Included in the adjustment are gross reductions of 78.72 FTE in FY 2008 and 129.10 FTE in FY 2009 associated with construction activity of the tentative construction plan of the department. Offsetting a portion of the reductions are increases of 5.00 FTE in each year to address increased workload issues associated with expanded requirements in the SAFETEA-LU.

DP 208 - Overtime/Differential - The legislative budget includes \$8.6 million combined state special and federal special revenue to reestablish base year overtime, differential pay, and associated benefits and taxes.

DP 209 - Equipment Rental - The legislative budget includes an increase of \$1.1 million combined state special and federal special revenue to fund the program share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 210 - Program Reductions - The legislative budget includes a reduction of \$1.3 million combined state special and federal special revenue to remove funding for one-time expenditures in the base. The one-time expenditures are for such items as hook-up costs for the poly com system, remodels, and rental of a snoopier truck.

DP 211 - Training Reductions - The legislative budget includes a reduction of \$504,000 state special revenue to consolidate funding for training in the General Operations Program. The adjustment removes base funding for training.

DP 226 - NHTSA Transfer - The legislative budget includes a reduction of \$15.9 million combined state and federal special revenue to transfer 7.00 FTE each year and associated operating costs of the National Highway Traffic Safety Administration (NHTSA) function from the Construction Program to the Transportation Planning Division.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	0	987,839	952,418	1,940,257	0.00	0	2,188,292	2,088,634	4,276,926
DP 6014 - Retirement Employer Contributions - HB 131										
02	0.00	0	36,102	33,585	69,687	0.00	0	37,472	34,648	72,120
Total	0.00	\$0	\$1,023,941	\$986,003	\$2,009,944	0.00	\$0	\$2,225,764	\$2,123,282	\$4,349,046

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	760.17	6.50	0.00	766.67	6.50	0.00	766.67	766.67
Personal Services	38,986,900	5,148,458	1,415,537	45,550,895	5,524,328	3,224,625	47,735,853	93,286,748
Operating Expenses	61,180,268	1,586,708	209,236	62,976,212	1,004,132	189,764	62,374,164	125,350,376
Equipment	252,673	40,000	0	292,673	0	0	252,673	545,346
Capital Outlay	4,357	101,500	0	105,857	100,000	0	104,357	210,214
Total Costs	\$100,424,198	\$6,876,666	\$1,624,773	\$108,925,637	\$6,628,460	\$3,414,389	\$110,467,047	\$219,392,684
State/Other Special	93,411,584	6,546,450	1,624,773	101,582,807	6,298,244	3,414,389	103,124,217	204,707,024
Federal Special	7,012,614	330,216	0	7,342,830	330,216	0	7,342,830	14,685,660
Total Funds	\$100,424,198	\$6,876,666	\$1,624,773	\$108,925,637	\$6,628,460	\$3,414,389	\$110,467,047	\$219,392,684

Program Description

The Maintenance Program is responsible for preserving and maintaining a safe and environmentally sound state highway transportation system and related facilities. Major activities include sign maintenance and repair, and patching, repairing, and periodic sealing of highway surfaces and structures; snow removal; and sanding.

Program Highlights

Department of Transportation Maintenance Program Major Budget Highlights	
♦	Budget adjustments increase state special revenue by \$17.9 million primarily due to: 1) higher equipment rental costs; 2) assumption of maintenance for more secondary roads; 3) low base expenditures for weed control; and 4) communication equipment and remote weather information system maintenance costs
♦	Budget adjustments increase federal special revenue by \$0.7 million primarily because base year pavement marking activity was lower compared to the plan for the 2009 biennium
♦	Staffing is increased by 6.5 FTE because of workload impacts from assuming responsibility for more secondary roads <ul style="list-style-type: none"> • The department would assume maintenance responsibility from the counties for 168 additional center line miles of roads

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Maintenance Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 93,411,584	93.0%	\$ 101,582,807	93.3%	\$ 103,124,217	93.4%
02422 Highways Special Revenue	93,411,584	93.0%	101,582,807	93.3%	103,124,217	93.4%
03000 Total Federal Special Funds	7,012,614	7.0%	7,342,830	6.7%	7,342,830	6.6%
03407 Highway Trust - Sp Rev	7,012,614	7.0%	7,342,830	6.7%	7,342,830	6.6%
Grand Total	\$ 100,424,198	100.0%	\$ 108,925,637	100.0%	\$ 110,467,047	100.0%

The Maintenance Program is primarily funded with highways state special revenue. Federal special revenue also funds a portion of the costs associated with the road reporter functions as well as qualifying highway maintenance activities determined by the Federal Highway Administration to extend the life of the highway.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
<div><div></div><div></div><div></div></div>										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					4,521,584					4,911,022
Vacancy Savings					(1,740,385)					(1,755,912)
Inflation/Deflation					272,346					319,260
Fixed Costs					(325)					(325)
Total Statewide Present Law Adjustments					\$3,053,220					\$3,474,045
DP 301 - Additional Secondary Roads	6.50	0	618,280	0	618,280	6.50	0	608,072	0	608,072
DP 305 - Communications Replacements	0.00	0	127,710	0	127,710	0.00	0	127,710	0	127,710
DP 307 - Contracted Maintenance	0.00	0	69,803	0	69,803	0.00	0	69,803	0	69,803
DP 308 - Land Purchases	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 313 - Overtime/Differential	0.00	0	2,054,453	0	2,054,453	0.00	0	2,054,453	0	2,054,453
DP 314 - Equipment Rental	0.00	0	3,329,455	0	3,329,455	0.00	0	2,670,635	0	2,670,635
DP 315 - Pavement Markings	0.00	0	246,972	865,535	1,112,507	0.00	0	246,972	865,535	1,112,507
DP 316 - RWIS System Maintenance	0.00	0	77,328	0	77,328	0.00	0	77,328	0	77,328
DP 317 - Noxious Weed Control	0.00	0	236,015	0	236,015	0.00	0	236,015	0	236,015
DP 318 - Travelers Information Program	0.00	0	0	52,328	52,328	0.00	0	0	52,328	52,328
DP 319 - State Special Revenue Funding Reduction	0.00	0	(4,000,000)	0	(4,000,000)	0.00	0	(4,000,000)	0	(4,000,000)
DP 320 - Training	0.00	0	45,692	0	45,692	0.00	0	45,692	0	45,692
DP 6015 - State Motor Pool Rate Change	0.00	0	(117)	(8)	(125)	0.00	0	(120)	(8)	(128)
Total Other Present Law Adjustments										
	6.50	\$0	\$2,905,591	\$917,855	\$3,823,446	6.50	\$0	\$2,236,560	\$917,855	\$3,154,415
Grand Total All Present Law Adjustments					\$6,876,666					\$6,628,460

DP 301 - Additional Secondary Roads - The legislative budget includes an increase of \$1.2 million state special revenue to add 6.50 FTE and to purchase materials to maintain 168 additional centerline miles of paved secondary roads assumed from counties under the authority of 60-2-203, MCA. Materials that would be purchased include such items as traffic paint, winter materials, replacement signs, and sand.

DP 305 - Communications Replacements - The legislative budget includes an increase of \$255,400 state special revenue to: 1) establish a 10-year replacement cycle for two-way communications equipment; and 2) offset the higher costs of communications equipment that meet interoperability requirements.

DP 307 - Contracted Maintenance - The legislative budget includes an increase of \$140,000 state special revenue to fund increases associated with maintenance contracts with the cities of Missoula and Billings and increases to a luminary lighting maintenance contract with NorthWestern Energy.

DP 308 - Land Purchases - The legislative budget includes an increase of \$200,000 state special revenue to purchase land for stockpile sites and facility sites associated with the Long-range Building Program.

DP 313 - Overtime/Differential - The legislative budget includes \$4.1 million state special revenue to reestablish base year overtime, differential pay, and associated benefits and taxes.

DP 314 - Equipment Rental - The legislative budget includes an increase of \$6.0 million combined state special and federal special revenue to fund the program share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 315 - Pavement Markings - The legislative budget includes an increase of \$2.2 million combined state special and federal special revenue to provide funding for pavement markings at the planned level of activity for the 2009 biennium. The department contracts for pavement markings, and the base year expenditures were lower than planned because of payment delays associated with a number of contract disputes. Weather delays and product delivery problems resulted in base year expenditures falling below plan levels.

DP 316 - RWIS System Maintenance - The legislative budget includes an increase of \$155,000 state special revenue to expand and enhance the system by adding more web cameras to the system.

DP 317 - Noxious Weed Control - The legislative budget includes an increase of \$472,000 state special revenue to increase annual funding to \$1.3 million for controlling noxious weeds on state highway rights of ways. The department contracts with the county weed control boards to perform noxious weed control. The increase would be used to offset cost increases for chemicals, equipment, and manpower, and to restore funding for expenditures that were not made when some counties were not able to spray due to rainy spring weather.

DP 318 - Travelers Information Program - The legislative budget includes an increase of \$105,000 federal special revenue to fund additional long distance costs due to growing demand by the public for the 511 program.

DP 319 - State Special Revenue Funding Reduction - The legislative budget includes a reduction of \$8.0 million to help maintain solvency of the highways state special revenue fund.

DP 320 - Training - The legislative budget includes an increase of \$91,400 state special revenue to maintain job related training for the maintenance academy, the maintenance management mentoring program, and training on diagnostic equipment. The program under spent the base contracted training budget due to scheduling conflicts with the training providers.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 306 - Facility Costs										
03	0.00	0	183,894	0	183,894	0.00	0	189,764	0	189,764
DP 325 - House Bill No. 531 (OTO)										
03	0.00	0	25,342	0	25,342	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	0	1,373,823	0	1,373,823	0.00	0	3,181,073	0	3,181,073
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	0	41,714	0	41,714	0.00	0	43,552	0	43,552
Total	0.00	\$0	\$1,624,773	\$0	\$1,624,773	0.00	\$0	\$3,414,389	\$0	\$3,414,389

DP 306 - Facility Costs - The legislative budget includes an increase of \$373,700 state special revenue to lease additional office space near the department headquarters. Funding would be used for rent, utilities, supplies and materials, and repair and maintenance, and includes a five percent inflation factor for rent.

DP 325 - House Bill No. 531 (OTO) - The legislative budget includes an increase of \$25,342 state special revenue for FY 2008 for signs to designate a portion of Highway 212 as the Warrior Trail Highway per HB 531 of the regular session. The funding is designated as one time only. Contingency language was included in HB 2 of the special session to void the funding if HB 531 is not passed and approved. HB 531 has become law, so the funding is valid.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business.

Program Highlights

Department of Transportation State Motor Pool Major Budget Highlights	
♦	High motor fuel costs are driving up vehicle rental rates
♦	A supplemental appropriation of \$1.33 million general fund was approved for FY 2007 to help repay an operating loan taken out in the 2007 biennium due to the impacts of high gasoline prices

Funding

State Motor Pool is funded entirely with internal service type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium. The proprietary funded program is discussed below in the Proprietary Rates section.

Proprietary Rates**Proprietary Program Description**

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide.

Other Options to Use of the Program

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual. Other options for state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. State law encourages use of the program through a reimbursement rate for use of personal vehicles for state business travel that is set at 48.15 percent of the low mileage rate allowed by the United States Internal Revenue Services unless a State Motor Pool vehicle is not available.

Historical Program Growth

The program has increased from 318 units in FY 1994 to 884 in FY 2006. During that time, annual mileage increased from 4.1 million to 13.6 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning stipulating that agencies lease new vehicles from the State Motor Pool instead of purchasing vehicles directly. This practice began following a legislative audit that identified significant inconsistency and associated risk in how various agencies maintained and managed state-owned vehicles.

Proprietary Revenues and Expenses

Revenues

Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide roughly 98 percent of the revenue for the program in FY 2006. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenue from accident damages reimbursed by private individuals or insurance companies. These damage reimbursement revenues generally cover only the expenses to repair the damage.

Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and in other parts of the state and who frequently travel as a normal part of their work assignments. Long-term vehicles are typically housed and managed out of agency office locations and only returned to the State Motor Pool facilities for maintenance or reassignment.

Expenses

The State Motor Pool is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all costs directly associated with vehicle operations including liability insurance. The program is reimbursed for costs directly attributable to operator abuse and accident costs caused by an outside party. User agencies can pay for optional full coverage insurance costs associated with employee use of State Motor Pool vehicles.

The majority of the costs of the program are indirect costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Indirect costs are supported by the assigned rates allocated to the seven classes of vehicles. The State Motor Pool supports 6.00 FTE. Administrative overhead and service activities that cannot be tied directly to a vehicle receive an allocation of 75 percent of the personal service costs with the remaining 25 percent allocated to specific units as specific maintenance and repair activities are tracked. Direct costs include gasoline, oil, and tires and are supported by the usage rates for all seven classes of vehicles. Expenses for gasoline and other vehicle maintenance costs, such as oil and tires, accounted for 27.8 percent of FY 2006 total expenses. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included a 4 percent increase in projections for indirect costs and a 7 percent increase in projections for direct costs, except gasoline is estimated to cost the program \$2.65 per gallon in each year. In FY 2006, gasoline comprised nearly 24.0 percent of all program costs. These growth factors are based on industry trends in which vehicle purchase costs are expected to increase, as are costs for repairs and maintenance. Rising oil prices are expected to keep oil, grease, and fuel costs higher than the base year expenditures.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest payments have a significant impact on motor pool assigned time rental rates. The program currently operates with a general fund loan to allow cash flow. The current general fund loan will be repaid over the next three years.

Working Capital Discussion

Rental rates are set to recover sufficient revenue to meet loan principal and interest payments and operating costs, and to allow maintaining no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, a short-term loan would be requested or assets would be sold to satisfy the loan obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principal due June 15.

Fund Balance and Reserve Fund Balance

The program rents vehicles for use by other state government entities. The number of vehicles in the program has grown to 884 vehicles, nearly three times the 1994 fleet size. Because of this growth, the program has borrowed funds to purchase new vehicles. As such, the balance sheet for the program at the end of FY 2006 has \$16.2 million in equipment assets with vehicles comprising nearly 100 percent of total assets. The equipment assets are now depreciated to approximately 20 percent of their cost, which in previous years they were depreciated to 30 percent of their cost. This is estimated to bring the book value of all assets to approximately \$10.6 million financed by \$6.6 million of long-term debt. The resultant fund equity is \$1.0 million or 10.6 percent of total assets. An adjustment to decrease the fund equity balance was included in the rates for the 2005 biennium. The adjustment was for net income gains from 1998 to 2002. The program decreased fund equity by nearly \$2.0 million from FY 2004 to FY 2006. The fund is expecting a loss in FY 2007. These losses have contributed to the depletion of the cash balance in the fund and have lead to the program requesting an operating loan to bring its cash back into balance.

Proprietary Rate Explanation*Rate Structure*

The State Motor Pool rental rates are based on a two-tiered structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate allows the program to cover fixed costs associated with state ownership, such as insurance, interest payments on BOI loans, depreciation, and other indirect expenses.

The equipment vehicle management system (EVMS) provides cost information related to direct and indirect costs for each vehicle class. These costs were used to project final costs for the 2007 biennium and budgeted costs for the 2009 biennium. For the 2009 biennium, projected costs were adjusted for: 1) anticipated additional lease vehicle purchases; 2) increases to direct and indirect costs; and 3) repayment of the operating loan from the general fund.

The rates using the two-tiered structure are applied as follows for the two components of the State Motor Pool:

Daily rental:

Cost (per occurrence) = (HR x AR) + (AM x MR),

Out-stationed lease:

Cost (annual) = (2920 x AR) + (AM x MR), where:

HR = number of hours the vehicle was used (flat rate of 8 hours for each day the vehicle is checked out from the motor pool, including weekends)

AR = per hour assigned rate

AM = actual miles traveled

MR = per mile operated rate

Rates for the 2009 Biennium

The rates for the State Motor Pool for the 2009 biennium are shown in Section R of HB 2.

The rates for the State Motor Pool are based on \$2.65 per gallon.

The rates are higher than the 2007 biennium rates because of higher operating costs resulting from the following factors:

- o Higher costs for maintenance and repair supplies and materials
- o Higher gasoline costs expected for the 2009 biennium and experienced during the 2007 biennium

Gasoline costs above those anticipated when the 2007 biennium rates were developed lead to operating losses which necessitated debt financing during the 2007 biennium. Portions of the operating loans taken out for the 2007 biennium would be repaid in three ways: 1) the 2009 biennium rates fund debt service on the operating loans; 2) the loans are repaid over several biennia; and 3) a supplemental appropriation of \$1.33 million general fund has been approved for FY 2007 to help repay a portion of the debt.

Program Description

The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of 4,555 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units and other specialized equipment. Exclusively, the Department of Transportation's various programs such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis.

Program Highlights

Department of Transportation Equipment Program Major Budget Highlights
♦ High motor fuel and steel costs are driving up equipment rental rates

Funding

The Equipment Program is funded entirely with internal service type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium. The proprietary funded program is discussed below in the Proprietary Rates section.

Proprietary Rates

Proprietary Program Description

The Equipment Program is responsible for the acquisition, disposal, repair, and maintenance of a fleet of 4,555 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment that serve functions of the department. Other programs of the Department of Transportation are the exclusive users of the fleet. Costs for the program are financed through rental fees charged to user programs.

The program has increased the fleet size over the last several biennia due to: 1) increased federal-aid highway construction funding; and 2) the assumption of secondary roads by the department. At fiscal year end 1997, the program had 4041 units operated for more than 20.1 million miles per year. At the end of FY 2006, the fleet had grown to 4,555 units operated for nearly 21.8 million miles per year, but has remained relatively stable since FY 2001.

Proprietary Revenues and Expenses

Revenue

Revenue is generated through the vehicle and equipment rental fees and from the gain on sale of surplus assets. Rental fees provide the majority of the revenue for the program. Revenues for the fleet are functionally tied to the severity of the winters, construction program workload, and travel requirements of the various programs using the equipment. As such, annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hour of usage due to the factors listed above for increased fleet size.

Expenses

The program is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet, including funding for 122.00 FTE. Approximately 40.0 percent of staff costs are allocated to administrative overhead and service activities that cannot be functionally tied directly to a piece of equipment. The remaining 60.0 percent of staff costs are allocated to specific units according to maintenance and repair activity. The program pays all costs directly associated with vehicle and equipment operations, including liability insurance and fuel. The Equipment Program is reimbursed for accident costs caused by an outside party and is reimbursed for any warranty work completed by department personnel.

Indirect costs, costs that cannot be traced directly to specific usage of the vehicles and equipment, are supported by the assigned rates and are allocated to each of the equipment fleet class and subclass. Direct costs, costs that can be traced directly to a particular unit use, include fuel, oil, and tires and are supported by usage rates. Indirect costs consist mainly of overhead costs and are allocated equally to all units of the fleet. Direct costs are tracked by the equipment management system and are allocated to the particular vehicle class for which they apply.

Working Capital Discussion

Equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue is from user rental fees charged for the use and possession of vehicles and equipment. Rental fees are based on a dual rate structure for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported biweekly and billings are generated on the same schedule as payrolls. Approximately \$950,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions, and workloads. Auction revenue varies depending on the number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program does not generate sufficient revenue to meet these obligations, the program would either liquidate assets or receive a loan.

Fund Equity and Reserved Fund Balance

The fund equity balance shows an increase due primarily to the increased fleet size that resulted when the department assumed maintenance responsibility for paved secondary roads. Revenues are anticipated to equal operation expenses and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. In each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. With this federally funded equipment, the Equipment Program is obligated to maintain the equipment and will replace the units when their life cycles and costs dictate replacement.

Cash Flow Discussion

The Equipment Program serves only other programs of the Department of Transportation. The cash flow is dependent on rental revenue and auction proceeds. If Montana experiences a harsh winter season, usage is higher and corresponding rental revenues are higher. The Equipment Program cash balance is generally less than the allowable 60-day maximum. With less than 60-day cash, the program occasionally does not have sufficient cash to cover obligations due at the beginning of each fiscal year. One significant expense that is paid at the beginning of the year is liability insurance paid to the Department of Administration Risk Management and Tort Claims Division for vehicle insurance. When needed for cash flow purposes, the program negotiates, at no interest, an inter-entity loan from the highway state special revenue account. The loan is repaid by fiscal year end. The programs rental rates will generate sufficient revenues to purchases assets, cover normal operating expenses and not exceed the 60-day operating cash balance.

Proprietary Rate Explanation

The rental rates are based on a two-tiered rate structure. Equipment users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles or hours used and is designed to recover direct costs such as labor, parts, fuel, lubricants, tires, and tubes. The assigned rate is designed to recover fixed costs such as insurance, depreciation, and indirect costs. Rental rates are adjusted each year based on the previous year operating experience. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The program's financial position also is considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement.

The rates listed in Section R of HB 2 are not specific rental rates for each piece of equipment or equipment class, but a program operating parameter that limits the program from charging rental rates that collect more than 20 days of working capital.

Significant Present Law Adjustments

The 2009 biennium rates for the Equipment Program are based on a present law budget with operating costs that are 8.0 percent higher for the biennium than the base. The present law adjustments impacting the operating costs are for:

- Personal services
- Additional vehicles and equipment for secondary roads
- Equipment maintenance costs
- Adjustment for fuel cost increases

Personal Services

Personal services increase by about \$559,000 or 9.0 percent, driven primarily by statewide impacts of health insurance contribution increases included in the pay plan bill for the 2007 biennium. The program also gave pay raises above the pay plan bill that totaled about \$192,000 on an annualized basis and comprised 34 percent of the increase. These pay raises given outside of legislative funding were comprised of 84 percent for classification upgrades and 16 percent for market adjustments. Personal services costs comprise about 27 percent of operating costs and are allocated to both the assigned time and usage rates. Personal services increases account for 15 percent of the revenue increase from FY 2006 to FY 2008.

Additional Vehicle and Equipment

The Maintenance Program anticipates adding secondary roads to the state maintenance inventory as they are paved and responsibility is assumed from the counties under authority of Montana law. The operating expenses would increase by \$314,000 in FY 2008 to purchase the additional equipment to support the Maintenance Program. Refer to present law decision package 301 in the Maintenance Program for further discussion of the assumption of secondary roads and the budgetary impact for the 2009 biennium. Adding equipment to maintain secondary roads would account for 8 percent of the revenue increase from FY 2006 to FY 2008.

Equipment Maintenance Costs

The revenues include an increase of more than \$600,000 per year to fund anticipated increases in equipment maintenance costs. The expected increases are due to inflationary factors for oil-related products and steel. The key drivers of the cost increase are cutting edges for snowplows, equipment repair parts, and tires and tubes. Equipment maintenance cost increases would account for 16 percent of the revenue increase from FY 2006 to FY 2008.

Adjustment of Fuel Cost Increase

Fuel prices are expected to increase. Revenues include an increase of \$1.6 million per year to fund anticipated increases in gasoline and diesel fuel. Fuel costs represent about 60.0 percent of program operating costs after deducting equipment and personal services costs and are allocated to the usage rates. Fuel cost increases would account for 43 percent of the revenue increase from FY 2006 to FY 2008.

Additional Rate Impacts

In addition to the significant present law adjustment for which the program would need appropriations approved by the Office of Budget and Program Planning with the implied approval as a result of legislative acceptance of the rates in the bill, another item is implied that would explain a portion of the rate increases and revenue generation for the program. The program experienced an operating loss in FY 2006 due to revenues falling below expenses. About \$680,000 of the revenue increase over FY 2006 would adjust revenues to match expenses. The revenue not explained by a cost adjustment accounts for about 18 percent of the revenue increase from FY 2006 to FY 2008.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	123.00	0.00	0.00	123.00	0.00	0.00	123.00	123.00
Personal Services	5,001,461	1,056,117	195,721	6,253,299	1,080,703	452,453	6,534,617	12,787,916
Operating Expenses	1,506,769	837,703	20,000	2,364,472	831,581	979,990	3,318,340	5,682,812
Equipment	0	22,348	0	22,348	22,348	0	22,348	44,696
Total Costs	\$6,508,230	\$1,916,168	\$215,721	\$8,640,119	\$1,934,632	\$1,432,443	\$9,875,305	\$18,515,424
State/Other Special	5,201,642	1,561,698	199,462	6,962,802	1,580,028	415,081	7,196,751	14,159,553
Federal Special	1,306,588	354,470	16,259	1,677,317	354,604	1,017,362	2,678,554	4,355,871
Total Funds	\$6,508,230	\$1,916,168	\$215,721	\$8,640,119	\$1,934,632	\$1,432,443	\$9,875,305	\$18,515,424

Program Description

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses and oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance, and size/weight laws. The Motor Carrier Safety Assistance Program (MCSAP) conducts commercial motor carrier safety compliance reviews and safety audits.

Program Highlights

Department of Transportation Motor Carrier Services Division Major Budget Highlights	
♦	State special revenue funding increases \$3.8 million due to: 1) statewide present law adjustments; 2) maintenance and staffing costs at the Dietz, WY joint port of entry; and 3) installation and maintenance of enforcement equipment on program vehicles
♦	Federal special revenue funding increases \$1.7 million due to: 1) delayed movements of the MCSAP program from the Department of Justice; and 2) a new unified carrier registration program that replaces the Single State Registration System

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Motor Carrier Services D						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 5,201,642	79.9%	\$ 6,962,802	80.6%	\$ 7,196,751	72.9%
02422 Highways Special Revenue	5,201,642	79.9%	6,962,802	80.6%	7,196,751	72.9%
03000 Total Federal Special Funds	1,306,588	20.1%	1,677,317	19.4%	2,678,554	27.1%
03407 Highway Trust - Sp Rev	1,306,588	20.1%	1,677,317	19.4%	2,678,554	27.1%
Grand Total	\$ 6,508,230	100.0%	\$ 8,640,119	100.0%	\$ 9,875,305	100.0%

The Motor Carrier Services Division is funded by the highways state special revenue fund and federal special revenue. State funds are revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees. Federal funds are from federal Motor Carrier Safety Assistance Program grants.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,207,385					1,233,002
Vacancy Savings					(248,363)					(249,394)
Inflation/Deflation					7,981					10,021
Total Statewide Present Law Adjustments					\$967,003					\$993,629
DP 2201 - MCSAP Grants	0.00	0	26,763	164,403	191,166	0.00	0	26,763	164,403	191,166
DP 2203 - Dietz Joint Port	0.00	0	550,750	0	550,750	0.00	0	550,750	0	550,750
DP 2206 - Overtime/Differential	0.00	0	83,502	13,593	97,095	0.00	0	83,502	13,593	97,095
DP 2207 - Equipment Rental	0.00	0	41,249	0	41,249	0.00	0	33,087	0	33,087
DP 2208 - Credit Card Fee Increase	0.00	0	18,000	0	18,000	0.00	0	18,000	0	18,000
DP 2209 - Enforcement Capital Purchases	0.00	0	53,986	0	53,986	0.00	0	53,986	0	53,986
DP 2210 - IRP Dues Increase	0.00	0	4,600	0	4,600	0.00	0	4,600	0	4,600
DP 2213 - Training Reduction	0.00	0	(7,650)	0	(7,650)	0.00	0	(7,650)	0	(7,650)
DP 6015 - State Motor Pool Rate Change	0.00	0	(25)	(6)	(31)	0.00	0	(25)	(6)	(31)
Total Other Present Law Adjustments										
	0.00	\$0	\$771,175	\$177,990	\$949,165	0.00	\$0	\$763,013	\$177,990	\$941,003
Grand Total All Present Law Adjustments					\$1,916,168					\$1,934,632

DP 2201 - MCSAP Grants - The legislative budget includes an increase of about \$382,000 combined state special and federal special revenue to annualize funding for the Motor Carrier Safety Assistance Program (MCSAP), which was transferred from the Department of Justice to the department for three-quarters of FY 2006.

DP 2203 - Dietz Joint Port - The legislative budget includes an increase of \$1.1 million state special revenue to pay half of the maintenance expenses and contracted services for half of the salaries of up to 10 Wyoming state employees operating the new port of entry station operating at Dietz, Wyoming, on the Montana and Wyoming border. The Dietz facility is operated as a joint enforcement effort between the two states. Montana contracts with Wyoming to staff and operate the joint port-of-entry. The contract calls for Wyoming personnel to enforce Montana size and weight laws, issue Montana permits, and collect Montana gross vehicle weight fees.

DP 2206 - Overtime/Differential - The legislative budget includes \$194,000 combined state special and federal special revenue to reestablish base year overtime and differential pay.

DP 2207 - Equipment Rental - The legislative budget includes an increase of nearly \$74,400 state special revenue to fund the program share of proposed increases in the Equipment Program - - an internal service program exclusively serving programs of the Department of Transportation.

DP 2208 - Credit Card Fee Increase - The legislative budget includes an increase of \$36,000 state special revenue to fund credit card fees associated with increased use of automated transactions by the commercial motor carrier industry.

DP 2209 - Enforcement Capital Purchases - The legislative budget includes an increase of nearly \$108,000 state special revenue to fund installation and maintenance of enforcement equipment for Motor Carrier Services vehicles and increased long distance telephone and facility maintenance costs for remote weigh stations.

DP 2210 - IRP Dues Increase - The legislative budget includes an increase of nearly \$9,200 state special revenue to fund increased cost of participation in the international registration plan (IRP).

DP 2213 - Training Reduction - The legislative budget includes a reduction of \$15,300 state special revenue to consolidate funding for training in the General Operations Program. The adjustment removes base funding for training.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				Total Funds
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
DP 2204 - Unified Carrier Registration										
22	0.00	0	0	0	0	0.00	0	0	979,990	979,990
DP 2215 - House Bill No. 556 (OTO)										
22	0.00	0	20,000	0	20,000	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
22	0.00	0	176,728	16,259	192,987	0.00	0	412,238	37,372	449,610
DP 6014 - Retirement Employer Contributions - HB 131										
22	0.00	0	2,734	0	2,734	0.00	0	2,843	0	2,843
Total	0.00	\$0	\$199,462	\$16,259	\$215,721	0.00	\$0	\$415,081	\$1,017,362	\$1,432,443

DP 2204 - Unified Carrier Registration - The legislative budget includes an increase of nearly \$980,000 federal special revenue in FY 2009 to fund motor carrier safety activities administered through the Motor Carrier Safety Assistance Program.

DP 2215 - House Bill No. 556 (OTO) - The legislative budget includes an increase of \$20,000 state special revenue to address the fiscal impacts of HB 556 of the regular session that allows special fuel users to use dyed fuel under certain conditions. The funding is designated as biennial and one time only. Contingency language was included in HB 2 of the special session to void the funding if HB 556 is not passed and approved. HB 556 has become law, so the funding is valid.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	503,302	70,942	20,231	594,475	72,770	44,106	620,178	1,214,653
Operating Expenses	(785,005)	3,072,617	0	2,287,612	1,097,764	0	312,759	2,600,371
Equipment	12,800	0	0	12,800	0	0	12,800	25,600
Grants	602,310	1,105,690	0	1,708,000	(202,310)	0	400,000	2,108,000
Transfers	10,283	0	0	10,283	0	0	10,283	20,566
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$343,690	\$4,249,249	\$20,231	\$4,613,170	\$968,224	\$44,106	\$1,356,020	\$5,969,190
State/Other Special	279,805	2,306,177	19,981	2,605,963	997,880	43,838	1,321,523	3,927,486
Federal Special	63,885	1,943,072	250	2,007,207	(29,656)	268	34,497	2,041,704
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$343,690	\$4,249,249	\$20,231	\$4,613,170	\$968,224	\$44,106	\$1,356,020	\$5,969,190

Program Description

The Montana Aeronautics Division: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 4) coordinates and supervises aerial search and rescue operations. The division administers a loan and grant program to municipal governments to fund airport improvement projects. The Aeronautics Board approves all loan and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 14 other state-owned airports.

Program Highlights

Department of Transportation Aeronautics Program Major Budget Highlights	
♦	Budget adjustments added \$3.3 million state special revenue primarily to: 1) offset the impacts of an accounting transaction timing issue at the end of the base year; and 2) make airport loans in the aeronautical loan program
♦	Budget adjustments added \$1.9 million federal special revenue primarily to finance capital improvement at the Lincoln and West Yellowstone airports

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Aeronautics Program							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000	Total State Special Funds	\$ 279,805	81.4%	\$ 2,605,963	\$6.5%	\$ 1,321,523	97.5%
	02286 Aeronautical Loan Account	127,800	37.2%	400,000	8.7%	400,000	29.5%
	02287 Aeronautical Grant Account	382,697	111.3%	800,000	17.3%	-	-
	02827 Aeronautics Division	(318,505)	-92.7%	1,155,963	25.1%	921,523	68.0%
	02962 Airport Pvmnt. Preservation	87,813	25.6%	250,000	5.4%	-	-
03000	Total Federal Special Funds	63,885	18.6%	2,007,207	43.5%	34,497	2.5%
	03060 Aeronautics Division	63,885	18.6%	2,007,207	43.5%	34,497	2.5%
Grand Total		\$ 343,690	100.0%	\$ 4,613,170	100.0%	\$ 1,356,020	100.0%

The Aeronautics Program, excluding the operations of the West Yellowstone Airport, is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuel taxes and aviation license fees. Federal special revenue comes from Federal Aviation Administration grants. Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Because the proprietary funds do not require an appropriation, they are not included in the above table.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				89,375					91,278
Vacancy Savings				(23,707)					(23,782)
Inflation/Deflation				2,909					3,473
Fixed Costs				(8,089)					(5,663)
Total Statewide Present Law Adjustments				\$60,488					\$65,306
DP 4004 - Lincoln Airport Development	0.00	0	14,994	300,006	0.00	0	0	0	0
DP 4005 - Overtime/Differential	0.00	0	5,274	0	0.00	0	5,274	0	5,274
DP 4006 - Program/Service Cost Adjustments	0.00	0	23,724	(32)	0.00	0	48,631	(32)	48,599
DP 4010 - Biennial Appropriation Adjustments	0.00	0	705,690	0	0.00	0	(602,310)	0	(602,310)
DP 4011 - Statewide Plan Update	0.00	0	13,020	247,390	0.00	0	(1,980)	(37,610)	(39,590)
DP 4012 - Federal Portion of Proprietary	0.00	0	0	1,387,750	0.00	0	0	0	0
DP 4013 - Accounting Adjustment	0.00	0	1,090,947	0	0.00	0	1,090,947	0	1,090,947
DP 4014 - Aeronautic Loans	0.00	0	400,000	0	0.00	0	400,000	0	400,000
DP 6015 - State Motor Pool Rate Change	0.00	0	(2)	0	0.00	0	(2)	0	(2)
Total Other Present Law Adjustments									
	0.00	\$0	\$2,253,647	\$1,935,114	0.00	\$0	\$940,560	(\$37,642)	\$902,918
Grand Total All Present Law Adjustments				\$4,249,249					\$968,224

DP 4004 - Lincoln Airport Development - The legislative budget includes an increase of \$315,000 combined state special and federal special revenue for taxiway improvements at the Lincoln Airport. The funding is designated as a biennial appropriation.

DP 4005 - Overtime/Differential - The legislative budget includes \$10,548 state special revenue to reestablish base year overtime, differential pay, and per diem.

DP 4006 - Program/Service Cost Adjustments - The legislative budget includes a net increase of nearly \$72,300 state special revenue offset by a \$64 reduction of federal special revenue to adjust overall operating expenses to maintain present law services at the expected levels of activity in the 2009 biennium.

DP 4010 - Biennial Appropriation Adjustments - The legislative budget includes a net increase of nearly \$103,400 state special revenue to align grants to communities and air-carrier airports with expected revenue from dedicated sources. Airport grants are used for airport safety and development projects, pavement preservation projects, and for purchasing courtesy cars at qualified airports where rental cars are not available. The funding is designated as a biennial appropriation for this adjustment and the associated base.

DP 4011 - Statewide Plan Update - The legislative budget includes a net increase of \$220,820 combined state special and federal special revenue to update the Montana aeronautics system plan. The system plan is a cooperative effort of the Aeronautics Division of the Department of Transportation and the Federal Aviation Administration. This report is intended to identify the current resources and trends in the state aviation system. The funding is designated as a biennial appropriation for this adjustment and the associated base.

DP 4012 - Federal Portion of Proprietary - The legislative budget includes an increase of nearly \$1.4 million federal special revenue to fund projects to build a wildlife fence and expand the apron at the West Yellowstone airport. The state match for the project would be funded by the West Yellowstone Airport proprietary fund, which is not budgeted and does not appear in the appropriation tables for the program. Refer to the Proprietary Rates section of this program for a discussion of the proprietary fund.

DP 4013 - Accounting Adjustment - The legislative budget includes an increase of \$2.2 million state special revenue to adjust base funding for an accounting transaction that recorded a negative expenditure transaction for state special revenue during the process of paying a vendor and billing the Federal Aviation Administration on a federal reimbursement project at the end of FY 2006.

DP 4014 - Aeronautic Loans - The legislative budget includes an increase of \$800,000 state special revenue to establish an appropriation to distribute aeronautical loan program funds. Funding is designated as a biennial appropriation.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
40	0.00	0	19,333	0	19,333	0.00	0	43,163	0	43,163
DP 6014 - Retirement Employer Contributions - HB 131										
40	0.00	0	648	250	898	0.00	0	675	268	943
Total	0.00	\$0	\$19,981	\$250	\$20,231	0.00	\$0	\$43,838	\$268	\$44,106

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation matching the peak tourist demand of the area from June 1 to September 30. The airport serves as an inter-agency fire control center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate aircraft of various sizes. The airport has a terminal building with tenants that provide the following functions: cafe, gift shop, two car rental agencies, fixed based operation (FBO) serving general aviation, and Skywest Airlines. The operation of the West Yellowstone Airport is funded from an enterprise type proprietary fund.

Proprietary Revenues and Expenses

Revenues

Revenues for the operation of the West Yellowstone Airport are derived from landing fees, building space rental fees, fuel flowage fees, sales receipts, and non-aero rentals.

Expenses

Expenses from the fund are for personal services for 1.29 FTE and operating expenses such as janitorial supplies, insurance, facility maintenance, and matching funds for federally funded capital improvement projects at the airport. FY 2008 operating expenses include matching funds for federal funding in DP 4012 of the appropriation section of the program and are higher than FY 2007 and FY 2009 for that reason.

Fund Equity and Reserved Fund Balance

The West Yellowstone Airport proprietary fund balance is forecast to remain about even. Management objectives are to use part of the available fund balance as needed to satisfy recent necessary federal airport certification requirements. There is no anticipated fluctuation of cash into the program and conservation of fund equity is to remain a high priority to offset additional Federal Airport Certification and Security requirements and airport improvement.

Proprietary Rate Explanation

Fees for the provided services are market based. The program for the operation of the West Yellowstone Airport charges the fees shown on the following figure which are presented for information only. No changes in fees are requested for the 2009 biennium. Because the proprietary funded portion of the program is funded with an enterprise type proprietary fund, the legislature does not approve fees in the appropriations bill.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	59.10	9.00	7.00	75.10	9.00	7.00	75.10	75.10
Personal Services	2,856,867	1,226,065	515,618	4,598,550	1,235,926	703,517	4,796,310	9,394,860
Operating Expenses	1,526,629	2,585,131	1,109,744	5,221,504	2,576,053	1,115,744	5,218,426	10,439,930
Equipment	18,085	0	0	18,085	0	0	18,085	36,170
Local Assistance	0	382,400	0	382,400	382,400	0	382,400	764,800
Grants	4,822,929	5,271,080	7,051,169	17,145,178	5,271,080	7,771,805	17,865,814	35,010,992
Total Costs	\$9,224,510	\$9,464,676	\$8,676,531	\$27,365,717	\$9,465,459	\$9,591,066	\$28,281,035	\$55,646,752
General Fund	0	0	0	0	0	0	0	0
State/Other Special	2,052,950	3,246,830	1,655,747	6,955,527	3,351,658	1,860,838	7,265,446	14,220,973
Federal Special	7,171,560	6,217,846	7,020,784	20,410,190	6,113,801	7,730,228	21,015,589	41,425,779
Total Funds	\$9,224,510	\$9,464,676	\$8,676,531	\$27,365,717	\$9,465,459	\$9,591,066	\$28,281,035	\$55,646,752

Program Description

The Transportation Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grants and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. The planning addresses system areas that include buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

Program Highlights

Department of Transportation Transportation Planning Division Major Budget Highlights	
♦	Budget adjustments added \$10.0 million state special revenue primarily to: 1) provide transit assistance grants for the disabled and elderly; 2) match federal funds for urban planning updates; 3) match significant increases in federal transit assistance funds; and 4) match federal funds for corridor studies
♦	Budget adjustments added \$26.8 million federal special revenue primarily to: 1) additional urban planning requirements; 2) significantly increased transit assistance funding; 3) workload impacts of increased funds from SAFETEA-LU; 4) corridor studies; and 5) safe routes for schools funding
♦	New and expanded programs and new requirements of the SAFETEA-LU increase staffing and funding levels <ul style="list-style-type: none"> • 4.00 FTE are added to address planning requirements • 2.00 FTE are added to administer transit funding increases • 1.00 FTE and \$2.0 million of one-time funding are added to coordinate and implement a project to link traffic safety data between systems of state agencies that collect the data • \$13.5 million total funds are added for transit assistance • \$1.0 million total funds are added for corridor studies • \$0.8 million federal funds are added for the Safe Route to School program • \$0.7 million total funds are added to address urban planning requirements

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Transportation Planning						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	2,052,950	22.3%	6,955,527	25.4%	7,265,446	25.7%
02282 Fta Local Match	275,426	3.0%	2,586,222	9.5%	2,730,549	9.7%
02422 Highways Special Revenue	1,777,524	19.3%	4,369,305	16.0%	4,534,897	16.0%
03000 Total Federal Special Funds	7,171,560	77.7%	20,410,190	74.6%	21,015,589	74.3%
03147 Fta Grants	2,271,428	24.6%	7,426,265	27.1%	8,002,758	28.3%
03407 Highway Trust - Sp Rev	4,900,132	53.1%	7,097,999	25.9%	7,134,788	25.2%
03828 Traffic Safety	-	-	5,885,926	21.5%	5,878,043	20.8%
Grand Total	\$ 9,224,510	100.0%	\$ 27,365,717	100.0%	\$ 28,281,035	100.0%

The Transportation Planning Division is funded with a combination of state and federal special revenue funds. Transit grants are based on a sliding scale, which for Montana is a federal participation rate of 86.58 percent funded with Federal Transit Administration funds. The state match is provided by the local entity receiving services or on a rare occasion with highways state special revenue funds. The remaining division activities after deducting federal transit grants and local matching funds are funded with federal planning and research funds and state special revenue funds at a ratio of 72.9 percent federal and 27.1 percent state special revenue for the 2009 biennium. State special revenue funds include just over \$5.3 million in local match pass-through authority for the 2009 biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				814,050					822,947	
Vacancy Savings				(146,835)					(147,190)	
Inflation/Deflation				1,468					1,773	
Fixed Costs				444					444	
Total Statewide Present Law Adjustments				\$669,127					\$677,974	
DP 5002 - Overtime/Differential	0.00	0	6,330	16,909	23,239	0.00	0	6,330	16,909	23,239
DP 5003 - Equipment Rental	0.00	0	8,046	19,187	27,233	0.00	0	6,455	15,391	21,846
DP 5007 - State Transit Assistance	0.00	0	381,988	0	381,988	0.00	0	381,988	0	381,988
DP 5008 - Statewide Urban Planning Update	0.00	0	74,301	256,685	330,986	0.00	0	74,301	256,685	330,986
DP 5009 - Training Reduction	0.00	0	(31,178)	0	(31,178)	0.00	0	(31,178)	0	(31,178)
DP 5010 - NHTSA Transfer	7.00	0	1,935,768	6,031,436	7,967,204	7.00	0	1,935,199	6,029,228	7,964,427
DP 5012 - NHTSA FTE	2.00	0	19,695	76,470	96,165	2.00	0	19,716	76,552	96,268
DP 6015 - State Motor Pool Rate Change	0.00	0	(26)	(62)	(88)	0.00	0	(27)	(64)	(91)
Total Other Present Law Adjustments										
	9.00	\$0	\$2,394,924	\$6,400,625	\$8,795,549	9.00	\$0	\$2,392,784	\$6,394,701	\$8,787,485
Grand Total All Present Law Adjustments				\$9,464,676					\$9,465,459	

DP 5002 - Overtime/Differential - The legislative budget includes \$46,500 combined state special and federal special revenue to reestablish base year overtime and differential pay.

DP 5003 - Equipment Rental - The legislative budget includes an increase of \$49,000 combined state special and federal special revenue to fund the program share of proposed increases in the Equipment Program - an internal service program exclusively serving programs of the Department of Transportation.

DP 5007 - State Transit Assistance - The legislative budget includes an increase of \$477,000 state special revenue to increase funding for transportation assistance grants for the disabled and elderly to projected revenue levels. The increase is based on distributing increased revenues collected from a fee for this purpose.

DP 5008 - Statewide Urban Planning Update - The legislative budget includes an increase of \$662,000 combined state special and federal special revenue to fund the impacts of increased requirements for transportation planning and programming of SAFETEA-LU. Of the funding, 90 percent would be distributed to cities in the form of grants for metropolitan and urban area planning and the remaining 10 percent would be for consultant services to develop new processes for providing consultation with local governments on safety, security, visualization, and mitigation strategies.

DP 5009 - Training Reduction - The legislative budget includes a reduction of nearly \$62,400 state special revenue to consolidate funding for training in the General Operations Program. The adjustment removes base funding for training.

DP 5010 - NHTSA Transfer - The legislative budget includes an increase of \$15.9 million combined state and federal special revenue to transfer 7.00 FTE each year and associated operating costs of the National Highway Traffic Safety Administration (NHTSA) function to the Transportation Planning Division from the Construction Program.

DP 5012 - NHTSA FTE - The legislative budget includes an increase of about \$192,400 combined state special and federal special revenue to add 2.00 FTE to address increased workload issues associated with expanded traffic safety requirements in SAFETEA-LU.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	
DP 5001 - Rail, Transit & Planning FTE										
50	4.00	0	47,656	190,623	238,279	4.00	0	47,698	190,792	238,490
DP 5004 - Corridor Studies										
50	0.00	0	100,000	400,000	500,000	0.00	0	100,000	400,000	500,000
DP 5005 - Passage of SAFETEA-LU act FTA										
50	2.00	0	1,252,276	5,119,839	6,372,115	2.00	0	1,396,566	5,696,309	7,092,875
DP 5006 - Safe Routes to School										
50	0.00	0	0	419,000	419,000	0.00	0	0	425,000	425,000
DP 5011 - HWY Traffic Safety Sec. -408-OTO										
50	1.00	0	208,040	791,673	999,713	1.00	0	208,055	791,728	999,783
DP 6013 - 2009 Biennium Pay Plan - HB 13										
50	0.00	0	46,519	97,105	143,624	0.00	0	107,215	223,769	330,984
DP 6014 - Retirement Employer Contributions - HB 131										
50	0.00	0	1,256	2,544	3,800	0.00	0	1,304	2,630	3,934
Total	7.00	\$0	\$1,655,747	\$7,020,784	\$8,676,531	7.00	\$0	\$1,860,838	\$7,730,228	\$9,591,066

DP 5001 - Rail, Transit & Planning FTE - The legislative budget includes an increase of nearly \$476,700 combined state special and federal special revenue to fund personal services and operating costs to add 4.00 FTE to address new federal transportation planning requirements of SAFETEA-LU.

DP 5004 - Corridor Studies - The legislative budget includes an increase of \$1.0 million combined state special and federal special revenue to fund contracted services to conduct corridor studies intended to evaluate the existing transportation system within and along specific corridors, and identify how the system could be improved to meet existing and long-term needs.

DP 5005 - Passage of SAFETEA-LU act FTA - The legislative budget includes an increase of nearly \$13.5 million combined state special and federal special revenue to fund personal services and operating costs to add 2.00 FTE and grant funding due to a nearly 240 percent increase in general rural public transit program funding for Montana. Of the increase, \$13.2 million is for grants to cities, counties, local transit agencies, and special projects. The FTE would administer the grants and coordinate transit systems in communities across Montana. State match funds are from local pass-through funds.

DP 5006 - Safe Routes to School - The legislative budget includes an increase of \$844,000 federal special revenue to fund contracted services for a program coordinator and non-infrastructure-related activities to encourage walking and bicycling to school under the Safe Routes to School program. In addition, over 70 percent of the funding would be used to provide grants for planning, design, and construction of infrastructure-related projects of the program.

DP 5011 - HWY Traffic Safety Sec. -408-OTO - The legislative budget includes an increase of nearly \$2.0 million combined state special and federal special revenue to contract to design a workflow that would allow the department to be linked to other departments and systems for identifying highway safety problems, trends in crash patterns, components of highway infrastructure that produce unsafe conditions, and other significant safety concerns. Included is funding for 1.00 FTE to coordinate the project. The funding is designated as one time only.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	611.03	28.25	8.50	647.78	28.25	8.50	647.78	647.78
Personal Services	24,601,237	6,433,605	1,650,756	32,685,598	6,473,861	2,989,134	34,064,232	66,749,830
Operating Expenses	10,881,515	7,617,276	2,625,771	21,124,562	6,892,431	2,327,003	20,100,949	41,225,511
Equipment	181,863	0	0	181,863	0	0	181,863	363,726
Local Assistance	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	972	0	0	972	0	0	972	1,944
Total Costs	\$35,665,587	\$14,050,881	\$4,276,527	\$53,992,995	\$13,366,292	\$5,316,137	\$54,348,016	\$108,341,011
General Fund	32,716,886	13,710,885	4,018,078	50,445,849	13,028,758	4,993,969	50,739,613	101,185,462
State/Other Special	616,073	255,392	7,093	878,558	250,751	14,720	881,544	1,760,102
Federal Special	302,685	102,132	9,513	414,330	101,332	19,972	423,989	838,319
Proprietary	2,029,943	(17,528)	241,843	2,254,258	(14,549)	287,476	2,302,870	4,557,128
Total Funds	\$35,665,587	\$14,050,881	\$4,276,527	\$53,992,995	\$13,366,292	\$5,316,137	\$54,348,016	\$108,341,011

Agency Description

The Department of Revenue collects revenue from and enforces regulations for over 30 state taxes and fees. The department also regulates the sale and distribution of alcoholic beverages in the state. The department is composed of six divisions with overall agency direction and management coordinated from the Director's Office.

Agency Highlights

Department of Revenue Major Budget Highlights	
♦	<p>Budget adjustments increase total funds by \$37.0 million (\$35.8 million general fund) for the two years of the biennium on top of a \$35.7 million total fund (\$32.7 million general fund) base primarily for:</p> <ul style="list-style-type: none"> On-going costs for operation and maintenance of the state tax administration system (\$7.5 million) Statewide present law adjustments (\$7.3 million) The addition of 10.00 FTE for enhanced tax compliance (\$5.9 million) A new initiative to provide free electronic filing for state taxpayers (\$4.7 million) State employee pay plan adjustments (\$3.8 million) The addition of 10.00 FTE to address workload impacts due to increasing numbers of property parcels (\$2.9 million) The addition of 6.00 FTE for enhanced tax compliance (\$1.7 million) Field office rent increases (\$660,800) The addition of 2.00 FTE and computer system modifications to address the impacts of a law revision that requires withholding of mineral royalty payments (\$572,900) Facility renovations to address customer service and workplace safety issues (\$425,000) The addition of 3.00 FTE to supervise and support out-of-state collectors of state tax debt (\$362,300)

- Increased funding for temporary staff during peak tax processing periods (\$355,000)
- The addition of 2.25 FTE GIS staff with one-time funding to support property reappraisals (\$314,500)
- The addition of 3.00 FTE for workload impacts of liquor system reforms (\$279,000)
- ◆ 36.75 FTE were added to the department for the functions mentioned above and 0.50 FTE to address workload issues due to legislation that increased the number of restaurant beer and wine licenses

Summary of Legislative Action

The legislative budget for total funds is \$34.5 million more than the 2007 biennium and includes funding for HB 2, HB 13, and HB 131. HB 13 funds the pay plan increases for the 2009 biennium and accounts for \$3.7 million of the total fund increase and \$3.5 million of the general fund budget for the biennium. HB 131 funds increases in employer contributions to retirement systems and accounts for \$71,600 of the total funds increase.

The legislative budget expanded current level funding by \$23.0 million, including funding to add 12.25 FTE, statewide adjustments, the state employee pay plan, and costs in other operational areas such as:

- The state computer tax administration system
- Property appraisal staff impacted by rising land parcel numbers
- Increases in rent for statewide office space
- Facilities renovations

In addition to current level funding, the legislative budget includes funding for new initiatives:

- Free electronic tax filing added \$4.7 million
- Enhanced tax compliance added 16.00 FTE and \$7.6 million total funds
- Fiscal impacts of legislation passed by the 2007 Legislature added 8.00 FTE and \$1.2 million total funds

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Directors Office	\$ 10,191,598	\$ 166,773	\$ 800	\$ 290,823	\$ 10,649,994	9.83%
02 Information Technology & Processing	28,467,762	460,817	264,000	204,008	29,396,587	27.13%
03 Liquor Control Division	-	-	-	3,967,250	3,967,250	3.66%
05 Citizen Services & Resource Mgmt	3,767,310	220,305	-	95,047	4,082,662	3.77%
07 Business And Income Taxes Division	20,424,399	812,207	573,519	-	21,810,125	20.13%
08 Property Assessment Division	38,334,393	100,000	-	-	38,434,393	35.48%
Grand Total	\$ 101,185,462	\$ 1,760,102	\$ 838,319	\$ 4,557,128	\$ 108,341,011	100.00%

The department is primarily funded with general fund. Proprietary funds support the operation of the Liquor Control Division and other divisions that support liquor control functions or the staff of the Liquor Control Division. State special revenue funds statewide services of other state agencies through the new hire and one stop revenues. State special revenue is also from the property valuation improvement fund and is used for increasing the efficiency of the property appraisal, assessment, and taxation process through improvements in technology and administration. Federal special revenue supports mineral royalty audit and new hire administration functions.

Other Legislation

Senate Bill 62 - SB 62 of the regular session increased the daily rate paid to advisory board members from \$25 to \$50. SB 62 would add \$1,800 total funds to the biennium costs of the department. No increase over the executive budget was provided to specifically fund the impacts of SB 62 and the costs will be absorbed in the agency's operating budget.

Senate Bill 127 – SB 127 of the regular session revises out-of-state winery access to Montana retailers. The legislative budget includes funding for 2.00 FTE and associated operating costs in a portion of new proposal DP 301 of the Liquor Control Division to address the licensing compliance workload impacts of SB 127.

Senate Bill 296 – SB 296 of the regular session revises the quota system for issuing restaurant beer and wine licenses, revises the number of quota areas, and increases the number of licenses that can be issued in a quota area. Funding to address the increased licensing workload associated with the increased number of licenses is included in the legislative budget through new proposal DP 296 in the Liquor Control Division. For further discussion of the budget impacts, see the decision package description in that division's narrative.

Senate Bill 378 – SB 378 of the regular session standardizes Montana income tax definitions and interpretations with federal law. The fiscal note for SB 378 indicates a cost to the department to maintain current on constantly changing federal tax laws through training. For the 2009 biennium, the training costs are estimated to be \$198,000. The legislative budget does not include any funding to specifically address the training costs of SB 378.

Senate Bill 439 - SB 439 of the regular session requires mineral producers to withhold income tax from mineral royalty payments to individuals, trusts, and business entities who receive more than \$2,000 per year in royalties. The legislative budget provides funding in new proposals DP 439 of the Information Technology and Processing Program and the Business and Income Taxes Division for the costs of supervising and supporting the collectors. For further discussion of the budget impacts, see the decision package descriptions in the narratives of these programs.

House Bill 3 – HB 3 of the regular session approves a supplemental appropriation of \$2.8 million general fund for FY 2007 for the department. The supplemental appropriation is to provide reimbursement of class 8 business equipment tax rate reductions in accordance with 15-1-112, MCA, to local governments. The funding addresses an audit recommendation to record gross tax revenues for 40 mill state equalization aid levy and reimbursements to local governments as an expenditure instead of the past practice of only recording net revenues after local government reimbursements were netted from the 40 mill state equalization aid levy.

House Bill 3 – HB 3 of the special session creates a new property class for certain types of energy-related property and includes an abatement of property taxes on the property and a property tax exemption for land adjacent to new electricity transmission lines. The fiscal note for HB 3 indicates that the department would incur a one-time \$2,500 cost in FY 2008 to create new tax forms. No additional funding is included in the legislative budget to specifically address these fiscal impacts.

House Bill 9 – HB 9 of the special session provides a \$400 rebate for property taxes paid. HB 9 includes an appropriation of general fund to the department of \$1,028,863 to administer the rebate program and authorizes a statutory appropriation to fund the rebate payments during the 2009 biennium.

House Bill 13 - HB 13 of the regular session funds the statewide employee pay plan for the 2009 biennium. HB 13 requires that state employees be placed on the broadband pay plan, provided an annual base salary increase, an additional longevity increase for employees who have completed 10 years of uninterrupted service, and employee health insurance employer contribution increases. HB 13 includes appropriations for the 2009 biennium costs of the pay plan. The HB 13 amounts are included in the tables of this report.

House Bill 113 – HB 113 of the regular session removes the residency requirement for liquor licenses. Funding for HB 113 was included in the executive budget and in HB 2. Funding was added to the budget of the Liquor Control Division as a part of new proposal DP 301 to add 1.00 FTE and associated operating costs to review and approve complex out-of-state and corporation applications of publicly-traded companies that apply for liquor licenses. For further discussion of the budget impacts, see the decision package description in that division's narrative.

House Bill 131 - HB 131 of the regular session increases the employer contribution rates for certain public employee retirement plans. HB 131 includes appropriations for the 2009 biennium costs of the contribution increases. The HB 131 amounts are included in the tables of this report.

House Bill 473 – HB 473 of the regular session eliminated the water adjudication fee imposed by the 2005 Legislature. Elimination of the water adjudication fee reduces the costs of the department by \$140,367, according to the fiscal note for HB 473. Although funding was requested in the executive budget to process the fees, the legislative budget does not include funding to process water adjudication fees.

House Bill 490 – HB 490 of the regular session allows taxpayers who adopt a child to claim a \$1,000 tax credit. The fiscal note for HB 490 indicates a \$2,500 on-time cost in FY 2008 for the department to develop forms for the tax credit. No funding was added to HB 2 for this impact.

House Bill 680 – HB 680 revises tax laws to authorize the department to collect out-of-state delinquent taxes using a professional collection entity. HB 680 authorizes a statutory appropriation to fund contracting costs for out-of-state debt collecting entities. In addition to the contracting costs, the fiscal note for HB 680 indicates that the department would need 3.00 FTE to supervise and support the out-of-state collectors. The legislative budget provides funding in new proposals DP 680 of the Director's Office and the Business and Income Taxes Division for the costs of supervising and supporting the collectors. For further discussion of the budget impacts, see the decision package descriptions in the narratives of these programs.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	611.03	699.03	647.78	(51.25)	713.53	647.78	(65.75)	
Personal Services	24,601,237	32,038,716	32,685,598	646,882	32,730,344	34,064,232	1,333,888	1,980,770
Operating Expenses	10,881,515	21,572,259	21,124,562	(447,697)	21,637,976	20,100,949	(1,537,027)	(1,984,724)
Equipment	181,863	181,863	181,863	0	181,863	181,863	0	0
Local Assistance	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	972	972	972	0	972	972	0	0
Total Costs	\$35,665,587	\$53,793,810	\$53,992,995	\$199,185	\$54,551,155	\$54,348,016	(\$203,139)	(\$3,954)
General Fund	32,716,886	50,202,547	50,445,849	243,302	51,133,873	50,739,613	(394,260)	(150,958)
State/Other Special	616,073	1,026,465	878,558	(147,907)	866,824	881,544	14,720	(133,187)
Federal Special	302,685	404,817	414,330	9,513	404,017	423,989	19,972	29,485
Proprietary	2,029,943	2,159,981	2,254,258	94,277	2,146,441	2,302,870	156,429	250,706
Total Funds	\$35,665,587	\$53,793,810	\$53,992,995	\$199,185	\$54,551,155	\$54,348,016	(\$203,139)	(\$3,954)

The legislative budget is \$4,000 in total funds lower than the executive budget and general fund is \$151,000 lower. Staffing increases in the legislative budget are 65.75 FTE lower than the executive request. Besides the pay plan in HB 13 of the regular session (\$3.8 million) and increases in employer contributions to retirement systems in HB 131 of the regular session (\$71,600), the difference is due to the following (without considering HB 13 and HB 131, the legislative budget in HB 2 is \$3.8 million lower than the executive budget):

- Executive requests were not included or changed as follows:
 - A request for a new initiative to add 6.00 FTE and provide free electronic tax filing was reduced and no FTE were included (\$2.1 million reduction)

- A request to add 8.00 FTE to support department staff administrative functions and address facility issues was reduced to only fund a portion of the facility needs and no FTE were included (\$2.1 million reduction)
- A request to add 6.00 FTE each year to conduct tax gap analysis was not included (\$774,000 reduction)
- A one-time-only initiative to provide geographic information system staff to complete the property tax reappraisal and valuation of agricultural and forest lands was reduced from the requested 8.00 FTE in FY 2008 and 4.50 FTE in FY 2009 to 2.25 FTE per year (\$489,600 reduction)
- A request for ongoing system costs and to add 2.00 FTE to provide support for department computer systems of the department was reduced and no FTE were included (\$383,200 reduction)
- A request for additional funds for temporary staff hired during peak tax processing periods was reduced (\$200,000 reduction)
- A request to add 7.00 FTE legal staff to support tax compliance initiatives was reduced and only funded the addition of 6.00 FTE (\$197,600 reduction)
- A request to add 1.00 FTE to continuously improve tax forms doesn't add any FTE, but funds document printing costs and a toll-free telephone line for citizens to contact the department on tax questions (\$105,000 reduction)
- A request to add 23.00 FTE in FY 2008 and 33.00 FTE in FY 2009 to enhance tax compliance and collection activities was increased, but only added 10.00 FTE (\$1.4 million increase)
- A request to add 24.00 FTE in FY 2008 and 32.00 FTE in FY 2009 to address workload issues of property assessment staff due to increased land parcel counts was increased, but only added 10.00 FTE (\$309,500 increase)
- Items included in the legislative budget that were not in the executive budget of HB 2 and reduce funding:
 - An unspecified reduction (\$200,000)
 - A reduction of funding for payments to State Motor Pool (\$34,500)
- Items included in the legislative budget that were not in executive budget of HB 2 and increase funding:
 - Funding for impacts of SB 439 that requires withholding on natural resource royalty payments (\$572,900 including 2.00 FTE)
 - Funding for impacts of HB 680 that authorizes the department to contract with professionals to collect debt from out-of-state debtors (\$362,300 including 3.00 FTE)
 - Funding for impacts of SB 296 that increases the number of restaurant beer and wine licenses (\$62,800 including 0.50 FTE)

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	39.98	6.00	2.00	47.98	6.00	2.00	47.98	47.98
Personal Services	2,135,090	775,719	242,838	3,153,647	782,207	374,393	3,291,690	6,445,337
Operating Expenses	1,341,768	1,135,902	17,379	2,495,049	358,310	9,530	1,709,608	4,204,657
Local Assistance	0	0	0	0	0	0	0	0
Total Costs	\$3,476,858	\$1,911,621	\$260,217	\$5,648,696	\$1,140,517	\$383,923	\$5,001,298	\$10,649,994
General Fund	3,447,790	1,711,167	257,692	5,416,649	948,488	378,671	4,774,949	10,191,598
State/Other Special	0	85,287	0	85,287	81,486	0	81,486	166,773
Federal Special	800	0	0	800	(800)	0	0	800
Proprietary	28,268	115,167	2,525	145,960	111,343	5,252	144,863	290,823
Total Funds	\$3,476,858	\$1,911,621	\$260,217	\$5,648,696	\$1,140,517	\$383,923	\$5,001,298	\$10,649,994

Program Description

The Director's Office supports the agency's director and provides the following functions:

- General management of the agency, including assisting the director with administrative functions and communications to the public, agencies, and elected officials
- Legal service support for the Office of Dispute Resolution and the overall legal efforts of the department, includes legal representation before various courts, legislative development and review, filing bankruptcy claims, and developing policy and administrative rules
- Tax policy, research, and analysis of state revenue legislation and legislative proposals affecting the department, and analysis of department economic data
- Human resources, payroll, benefits, education, and training of the department

Program Highlights

Department of Revenue Director's Office Major Budget Highlights	
♦	<p>Budget adjustments increase total funds by \$3.7 million primarily for:</p> <ul style="list-style-type: none"> • The addition of 6.00 FTE for enhanced tax compliance (\$1.7 million) • Statewide present law adjustments (\$937,000) • Facility renovations to address customer service and workplace safety issues (\$425,000) • State employee pay plan adjustments (\$357,000) • The addition of 2.00 FTE to supervise and support out-of-state collectors of state tax debt (\$280,500)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Directors Office						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 3,447,790	99.2%	\$ 5,416,649	95.9%	\$ 4,774,949	95.5%
01100 General Fund	3,447,790	99.2%	5,416,649	95.9%	4,774,949	95.5%
02000 Total State Special Funds	-	-	85,287	1.5%	81,486	1.6%
02088 One-Stop And New Hire Admin.	-	-	85,287	1.5%	81,486	1.6%
03000 Total Federal Special Funds	800	0.0%	800	0.0%	-	-
03928 Royalty Audit - Nrcr	800	0.0%	800	0.0%	-	-
06000 Total Proprietary Funds	28,268	0.8%	145,960	2.6%	144,863	2.9%
06005 Liquor Division	28,268	0.8%	145,960	2.6%	144,863	2.9%
Grand Total	\$ 3,476,858	100.0%	\$ 5,648,696	100.0%	\$ 5,001,298	100.0%

Funding for the program comes primarily from the general fund. State special revenue funds the office support for one-stop and new hire administration activities. Federal special revenue funds office support of mineral royalty audits. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of Director's Office support costs. The allocation is based on FTE counts. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				489,880					496,239
Vacancy Savings				(104,997)					(105,254)
Inflation/Deflation				6,999					10,933
Fixed Costs				160,704					(17,563)
Total Statewide Present Law Adjustments				\$552,586					\$384,355
DP 701 - Compliance - Legal									
6.00	909,388	85,287	0	994,675	6.00	614,140	81,486	0	695,626
DP 1011 - Fulfill Statutory Responsibilities (OTO)									
0.00	300,000	0	0	364,364*	0.00	0	0	0	60,540*
DP 6015 - State Motor Pool Rate Change									
0.00	(4)	0	0	(4)	0.00	(4)	0	0	(4)
Total Other Present Law Adjustments									
6.00	\$1,209,384	\$85,287	\$0	\$1,359,035*	6.00	\$614,136	\$81,486	\$0	\$756,162*
Grand Total All Present Law Adjustments				\$1,911,621*					\$1,140,517*

DP 701 - Compliance - Legal - The legislative budget includes an increase of \$1.7 million combined general fund and state special revenue to add personal services for 6.00 FTE in-house legal resources to support tax compliance activities. Funding is also increased for other operating costs, including funding for contracted legal services. Of the funding, \$23,550 general fund in FY 2008 is designated one time only.

DP 1011 - Fulfill Statutory Responsibilities (OTO) - The legislative budget includes an increase of \$425,000 combined general fund and proprietary funds to remodel existing office space in the Mitchell Building. The legislature designated the funding as one time only.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals		Fiscal 2008				Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 680 - House Bill No. 680										
01	2.00	144,095	0	0	144,095	2.00	136,372	0	0	136,372
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	110,631	0	0	113,006*	0.00	239,153	0	0	244,205*
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	2,966	0	0	3,116*	0.00	3,146	0	0	3,346*
Total	2.00	\$257,692	\$0	\$0	\$260,217*	2.00	\$378,671	\$0	\$0	\$383,923*

DP 680 - House Bill No. 680 - The legislative budget includes an increase of \$280,500 general fund to add 2.00 FTE to address the impacts of HB 680 that authorizes the department to collect out-of-state debt. Of the funding, \$7,850 in FY 2008 is designated as one time only.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Language

The legislative budget included the following language for the Director's Office, but the Governor subsequently vetoed the language:

"Fulfill Statutory Responsibilities includes funding for a report to the legislative finance committee relevant to goals and objective presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision packages 201, 701, 802, 1011, 7013, 7019, and 8012 and new proposal decision package 301. The report must address the following:

- (1) progress toward the goals; and
- (2) attainment of measurable objectives.

If the report is not received by June 30, 2008, Fulfill Statutory Responsibilities is reduced by \$5,000 in general fund money in fiscal year 2009."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	99.45	0.00	0.00	99.45	0.00	0.00	99.45	99.45
Personal Services	3,967,446	468,766	197,283	4,633,495	435,300	398,345	4,801,091	9,434,586
Operating Expenses	3,577,687	3,834,014	2,627,096	10,038,797	3,896,424	2,373,689	9,847,800	19,886,597
Equipment	37,702	0	0	37,702	0	0	37,702	75,404
Total Costs	\$7,582,835	\$4,302,780	\$2,824,379	\$14,709,994	\$4,331,724	\$2,772,034	\$14,686,593	\$29,396,587
General Fund	7,020,534	4,407,938	2,820,083	14,248,555	4,435,109	2,763,564	14,219,207	28,467,762
State/Other Special	209,122	20,400	0	229,522	22,173	0	231,295	460,817
Federal Special	92,400	39,600	0	132,000	39,600	0	132,000	264,000
Proprietary	260,779	(165,158)	4,296	99,917	(165,158)	8,470	104,091	204,008
Total Funds	\$7,582,835	\$4,302,780	\$2,824,379	\$14,709,994	\$4,331,724	\$2,772,034	\$14,686,593	\$29,396,587

Program Description

The Information Technology and Processing Division provides application development and support services; network services including data, desktop, information security and help desk support; and tax return and payment processing including account examination and maintenance, cashing, mailroom, and records management services that enable the department to meet its business objectives.

Program Highlights

Department of Revenue Information Technology and Processing Major Budget Highlights	
♦	<p>Budget adjustments increase total funds by \$14.2 million primarily for:</p> <ul style="list-style-type: none"> On-going costs for operation and maintenance of the state tax administration system (\$7.5 million) A new initiative to provide free electronic filing for state taxpayers (\$4.7 million) Statewide present law adjustments (\$811,000) State employee pay plan adjustments (\$585,000) Increased funding for temporary staff during peak tax processing periods (\$355,000) Tax administration system modifications to address new mineral royalty withholding requirements (\$310,000)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Information Technology &						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 7,020,534	92.6%	\$ 14,248,555	96.9%	\$ 14,219,207	96.8%
01100 General Fund	7,020,534	92.6%	14,248,555	96.9%	14,219,207	96.8%
02000 Total State Special Funds	209,122	2.8%	229,522	1.6%	231,295	1.6%
02088 One-Stop And New Hire Admin.	180,000	2.4%	200,400	1.4%	200,400	1.4%
02110 Accommodation Tax Admin	29,122	0.4%	29,122	0.2%	30,895	0.2%
03000 Total Federal Special Funds	92,400	1.2%	132,000	0.9%	132,000	0.9%
03680 New Hire Admin (Federal Share)	92,400	1.2%	132,000	0.9%	132,000	0.9%
06000 Total Proprietary Funds	260,779	3.4%	99,917	0.7%	104,091	0.7%
06005 Liquor Division	260,779	3.4%	99,917	0.7%	104,091	0.7%
Grand Total	\$ 7,582,835	100.0%	\$ 14,709,994	100.0%	\$ 14,686,593	100.0%

The Information Technology and Processing Division is primarily funded with general fund. State special revenue funds the division's support for one-stop and new hire administration activities. Federal special revenue funds the division's support of federal new hire administration activities. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Control Division share of division support costs. The allocation is based on FTE counts. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					505,563					518,164
Vacancy Savings					(178,918)					(179,424)
Inflation/Deflation					37,494					37,559
Fixed Costs					31,757					39,103
Total Statewide Present Law Adjustments					\$395,896					\$415,402
DP 201 - On-going System Costs	0.00	3,584,406	20,400	39,600	3,644,406	0.00	3,764,406	20,400	39,600	3,824,406
DP 6015 - State Motor Pool Rate Change	0.00	(43)	0	0	(43)	0.00	(44)	0	0	(44)
DP 7015 - Processing Returns & Refunds	0.00	262,521	0	0	262,521	0.00	91,960	0	0	91,960
Total Other Present Law Adjustments	0.00	\$3,846,884	\$20,400	\$39,600	\$3,906,884	0.00	\$3,856,322	\$20,400	\$39,600	\$3,916,322
Grand Total All Present Law Adjustments					\$4,302,780					\$4,331,724

DP 201 - On-going System Costs - The legislative budget includes an increase of nearly \$7.5 million combined general fund, state special revenue, and federal special revenue to fund ongoing vendor and mid-tier costs of existing tax administration and management systems. Funding includes \$20,000 to upgrade the system used for new hire administration to a new Oracle database version and for personal services costs associated with providing new hire services.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 7015 - Processing Returns & Refunds - The legislative budget includes an increase of nearly \$354,500 general fund to provide pay adjustments and hire and house contracted temporary staff for peak tax processing seasons, between January and May, to provide timely processing of tax returns and payments. Pay adjustments are intended to address recruitment issues for the short-term workers hired for the peak tax processing seasons.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 202 - Free Electronic Filing										
02	0.00	2,321,011	0	0	2,321,011	0.00	2,370,104	0	0	2,370,104
DP 439 - Senate Bill No. 439										
02	0.00	306,085	0	0	306,085	0.00	3,585	0	0	3,585
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	188,327	0	0	192,353*	0.00	384,932	0	0	393,042*
DP 6014 - Retirement Employer Contributions - HB 131										
02	0.00	4,660	0	0	4,930*	0.00	4,943	0	0	5,303*
Total	0.00	\$2,820,083	\$0	\$0	\$2,824,379*	0.00	\$2,763,564	\$0	\$0	\$2,772,034*

DP 202 - Free Electronic Filing - The legislative budget includes an increase of \$4.7 million general fund to provide free electronic tax filing services to the citizens and businesses of Montana. Of the funding, \$2.0 million in each year is designated as one-time only.

DP 439 - Senate Bill No. 439 - The legislative budget includes an increase of \$309,700 general fund to address the impacts of SB 439 that establishes withholding requirements for natural resource royalty payments. Of the funding, \$300,000 in FY 2008 is designated as one time only and would be used to modify the state tax administration system to administer the new mineral royalty withholdings. HB 2 includes contingency language that would have voided the funding if SB 439 was not passed and approved. SB 439 has become law, so the funding is valid.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	25.00	0.00	3.50	28.50	0.00	3.50	28.50	28.50
Personal Services	1,058,366	104,277	193,257	1,355,900	108,568	252,453	1,419,387	2,775,287
Operating Expenses	429,833	82,027	39,484	551,344	84,539	16,801	531,173	1,082,517
Equipment	54,723	0	0	54,723	0	0	54,723	109,446
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,542,922	\$186,304	\$232,741	\$1,961,967	\$193,107	\$269,254	\$2,005,283	\$3,967,250
Proprietary	1,542,922	186,304	232,741	1,961,967	193,107	269,254	2,005,283	3,967,250
Total Funds	\$1,542,922	\$186,304	\$232,741	\$1,961,967	\$193,107	\$269,254	\$2,005,283	\$3,967,250

Program Description

The Liquor Control Division administers the alcoholic beverage code. The division oversees warehousing, inventory, and shipping of distilled spirits and fortified wines and the state agency liquor stores. The division also oversees licensing of on-premise and off-premise businesses, manufacturers, wholesalers, warehouses, importers, and liquor representatives.

Program Highlights

Department of Revenue Liquor Control Division Major Budget Highlights	
♦	Budget adjustments increase total funds by \$881,000 primarily for:
•	Statewide present law adjustments (\$379,000)
•	The addition of 3.00 FTE for workload impacts of liquor system reforms (\$279,000)
•	State employee pay plan adjustments (\$151,000)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Liquor Control Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
06000 Total Proprietary Funds	\$ 1,542,922	100.0%	\$ 1,961,967	100.0%	\$ 2,005,283	100.0%
06005 Liquor Division	1,542,922	100.0%	1,961,967	100.0%	2,005,283	100.0%
Grand Total	\$ 1,542,922	100.0%	\$ 1,961,967	100.0%	\$ 2,005,283	100.0%

The division is funded with a direct appropriation of Liquor Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these

items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					152,720					157,193
Vacancy Savings					(48,443)					(48,625)
Inflation/Deflation					17,575					18,491
Fixed Costs					64,458					66,054
Total Statewide Present Law Adjustments					\$186,310					\$193,113
DP 6015 - State Motor Pool Rate Change										
0.00	0	0	0	0	(6)*	0.00	0	0	0	(6)*
Total Other Present Law Adjustments										
0.00	\$0	\$0	\$0	\$0	(\$6)*	0.00	\$0	\$0	\$0	(\$6)*
Grand Total All Present Law Adjustments					\$186,304*					\$193,107*

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008					Fiscal 2009					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 296 - Senate Bill No. 296										
03	0.50	0	0	0	34,436*	0.50	0	0	0	28,384*
DP 301 - Liquor System Reforms										
03	3.00	0	0	0	147,560*	3.00	0	0	0	131,041*
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	0	0	0	46,457*	0.00	0	0	0	104,426*
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	0	0	0	4,288*	0.00	0	0	0	5,403*
Total	3.50	\$0	\$0	\$0	\$232,741*	3.50	\$0	\$0	\$0	\$269,254*

DP 296 - Senate Bill No. 296 - The legislative budget includes an increase of \$62,800 proprietary funds to add 0.50 FTE to address the impacts of SB 296 that increased the number of restaurant beer and wine licenses available in the state.

DP 301 - Liquor System Reforms - The legislative budget includes an increase of \$278,600 liquor control proprietary funds for personal services and operating costs to add 3.00 FTE for workload impacts resulting from changes in residency requirements associated with licensing and compliance of out-of-state breweries and wineries and their access to Montana markets. The appropriation to implement SB 127, which revises out-of-state winery access to Montana retailers, was contingent upon the bill becoming law and is valid as SB 127 has become law.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Language

The legislative budget includes the following language for the division:

"Liquor control division proprietary funds necessary to maintain adequate inventories, pay freight charges, and transfer profit and taxes to appropriate accounts are appropriated from the liquor enterprise fund (06005) to the department in amounts not to exceed \$103 million in fiscal year 2008 and \$112 million in fiscal year 2009.

If the department is unable to meet statutory service levels because of the increase in demand for liquor products, the department may hire additional temporary employees or pay overtime, whichever is determined to be the most cost-effective, to maintain required service levels to stores. In fiscal year 2008 and in fiscal year 2009, the department is appropriated not more than \$40,000 each year for additional costs from the liquor enterprise fund (06005) to meet the service level requirements.

In the liquor division, upon a termination that requires a payout of accrued leave balances, liquor control division proprietary funds are appropriated from the liquor enterprise fund (06005) to the department in the amount equal to the payout of the accrued leave balances, not to exceed \$40,000 for each of fiscal years 2008 and 2009."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	25.00	0.00	0.00	25.00	0.00	0.00	25.00	25.00
Personal Services	1,085,582	62,661	53,151	1,201,394	66,349	106,833	1,258,764	2,460,158
Operating Expenses	599,531	129,475	0	729,006	132,535	0	732,066	1,461,072
Equipment	80,716	0	0	80,716	0	0	80,716	161,432
Local Assistance	0	0	0	0	0	0	0	0
Total Costs	\$1,765,829	\$192,136	\$53,151	\$2,011,116	\$198,884	\$106,833	\$2,071,546	\$4,082,662
General Fund	1,464,617	342,430	49,221	1,856,268	347,378	99,047	1,911,042	3,767,310
State/Other Special	103,238	3,547	1,649	108,434	5,347	3,286	111,871	220,305
Proprietary	197,974	(153,841)	2,281	46,414	(153,841)	4,500	48,633	95,047
Total Funds	\$1,765,829	\$192,136	\$53,151	\$2,011,116	\$198,884	\$106,833	\$2,071,546	\$4,082,662

Program Description

The Citizens Services and Resource Management Division provides agency accounting, purchasing, and statewide facilities safety and security functions. The division also provides customer service and provides support services to the other divisions of the department including operations of the call center, forms design, small business licensing coordination, and abandoned property distribution.

Program Highlights

Department of Revenue	
Citizen Services and Resource Management	
Major Budget Highlights	
♦	Budget adjustments increase total funds by \$551,000 primarily for:
•	Toll-free telephone access to the department call center and to fund tax document printing costs (\$243,000)
•	State employee pay plan adjustments (\$157,000)
•	Statewide present law adjustments (\$148,000)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Citizen Services & Resou						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,464,617	82.9%	\$ 1,856,268	92.3%	\$ 1,911,042	92.3%
01100 General Fund	1,464,617	82.9%	1,856,268	92.3%	1,911,042	92.3%
02000 Total State Special Funds	103,238	5.8%	108,434	5.4%	111,871	5.4%
02025 Unclaimed Property	58,238	3.3%	61,634	3.1%	65,071	3.1%
02088 One-Stop And New Hire Admin.	45,000	2.5%	46,800	2.3%	46,800	2.3%
06000 Total Proprietary Funds	197,974	11.2%	46,414	2.3%	48,633	2.3%
06005 Liquor Division	197,974	11.2%	46,414	2.3%	48,633	2.3%
Grand Total	\$ 1,765,829	100.0%	\$ 2,011,116	100.0%	\$ 2,071,546	100.0%

The Citizens Services and Resource Management Division is funded primarily by the general fund, with a small amount of state special revenue and proprietary funds. The proprietary funding is from a direct appropriation of Liquor Control Division proprietary fund and is for the Liquor Division share of Resource Management Program support costs. The allocation is based on FTE counts. Liquor Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted. The state special revenue funding comes from unclaimed property proceeds and from one-stop and new hire funds for services in support of new hire administration.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					110,506					114,346
Vacancy Savings					(47,845)					(47,997)
Inflation/Deflation					(1,084)					(1,048)
Fixed Costs					9,179					12,203
Total Statewide Present Law Adjustments					\$70,756					\$77,504
DP 7013 - Citizen Services	0.00	121,380	0	0	121,380	0.00	121,380	0	0	121,380
Total Other Present Law Adjustments	0.00	\$121,380	\$0	\$0	\$121,380	0.00	\$121,380	\$0	\$0	\$121,380
Grand Total All Present Law Adjustments					\$192,136					\$198,884

DP 7013 - Citizen Services - The legislative budget includes an increase of nearly \$242,800 general fund to provide toll-free telephone access to the department call center and for printing costs to produce publications and tax documents. The funding is restricted only to these two uses.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
05	0.00	48,005	1,617	0	\$1,779*	0.00	97,755	3,253	0	105,344*
DP 6014 - Retirement Employer Contributions - HB 131										
05	0.00	1,216	32	0	1,372*	0.00	1,292	33	0	1,489*
Total	0.00	\$49,221	\$1,649	\$0	\$53,151*	0.00	\$99,047	\$3,286	\$0	\$106,833*

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	123.75	10.00	3.00	136.75	10.00	3.00	136.75	136.75
Personal Services	5,171,666	2,388,485	398,689	7,958,840	2,407,230	692,309	8,271,205	16,230,045
Operating Expenses	1,205,755	1,564,732	(8,188)	2,762,299	1,635,043	(23,017)	2,817,781	5,580,080
Equipment	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Total Costs	\$6,377,421	\$3,953,217	\$390,501	\$10,721,139	\$4,042,273	\$669,292	\$11,088,986	\$21,810,125
General Fund	5,904,476	3,754,274	375,544	10,034,294	3,847,743	637,886	10,390,105	20,424,399
State/Other Special	263,460	136,411	5,444	405,315	131,998	11,434	406,892	812,207
Federal Special	209,485	62,532	9,513	281,530	62,532	19,972	291,989	573,519
Total Funds	\$6,377,421	\$3,953,217	\$390,501	\$10,721,139	\$4,042,273	\$669,292	\$11,088,986	\$21,810,125

Program Description

The Business and Income Taxes Division administers the collection of Montana corporation license, natural resource, withholding, personal income, miscellaneous taxes, and industrial and centrally assessed property valuation.

Program Highlights

Department of Revenue Business and Income Taxes Division Major Budget Highlights	
♦	Budget adjustments increase total funds by \$9.1 million primarily for: <ul style="list-style-type: none"> • The addition of 10.00 FTE for enhanced tax compliance (\$5.9 million) • Statewide present law adjustments (\$1.9 million) • State employee pay plan adjustments (\$800,900) • The addition of 2.00 FTE to address the workload impacts of a law revision that requires withholding of mineral royalty payments (\$263,200) • The addition of 1.00 FTE to supervise and support out-of-state collectors of state tax debt (\$81,900)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Business And Income Taxe						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 5,904,476	92.6%	\$ 10,034,294	93.6%	\$ 10,390,105	93.7%
01100 General Fund	5,904,476	92.6%	10,034,294	93.6%	10,390,105	93.7%
02000 Total State Special Funds	263,460	4.1%	405,315	3.8%	406,892	3.7%
02025 Unclaimed Property	112,980	1.8%	121,814	1.1%	131,294	1.2%
02088 One-Stop And New Hire Admin.	-	-	163,516	1.5%	152,013	1.4%
02110 Accommodation Tax Admin	116,490	1.8%	119,985	1.1%	123,585	1.1%
02432 Oil & Gas Era	33,990	0.5%	-	-	-	-
03000 Total Federal Special Funds	209,485	3.3%	281,530	2.6%	291,989	2.6%
03928 Royalty Audit - Nrct	209,485	3.3%	281,530	2.6%	291,989	2.6%
Grand Total	\$ 6,377,421	100.0%	\$ 10,721,139	100.0%	\$ 11,088,986	100.0%

The Business and Income Taxes Division is primarily funded with general fund and with some state special revenue and federal special revenue. State special revenue comes from the accommodations tax and funds expenses for administering the tax. Federal special revenue comes from reimbursements for performing mineral royalty audits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,019,928					1,038,789
Vacancy Savings				(247,663)					(248,416)
Inflation/Deflation				16,506					19,380
Fixed Costs				133,467					148,937
Total Statewide Present Law Adjustments				\$922,238					\$958,690
DP 6015 - State Motor Pool Rate Change									
0.00	(1,078)	0	0	(1,078)	0.00	(1,108)	0	0	(1,108)
DP 7019 - Compliance - Business and Income Taxes									
10.00	2,753,862	163,516	0	2,917,378	10.00	2,817,999	152,013	0	2,970,012
DP 7020 - Federal Royalty Audit Program									
0.00	0	0	62,532	62,532	0.00	0	0	62,532	62,532
DP 7022 - Child Support Debt Collection Costs									
0.00	52,147	0	0	52,147	0.00	52,147	0	0	52,147
Total Other Present Law Adjustments									
10.00	\$2,804,931	\$163,516	\$62,532	\$3,030,979	10.00	\$2,869,038	\$152,013	\$62,532	\$3,083,583
Grand Total All Present Law Adjustments				\$3,953,217					\$4,042,273

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 7019 - Compliance - Business and Income Taxes - The legislative budget includes an increase of \$5.9 million combined general fund and state special revenue to enhance tax compliance activities in Montana. This funding would fund personal services and operating costs to add 10.00 FTE each year to address several key compliance issues in areas such as pass-through entity audits, natural resource audits, issues related to Montana source income, and issues associated with nonresident taxpayers including land sales and abusive tax shelters. Funding will also be used to measure and analyze tax compliance problems to develop performance measures and objectives.

DP 7020 - Federal Royalty Audit Program - The legislative budget includes an increase of about \$125,000 federal special revenue for personal services associated with the Federal Royalty Audit Program to bring funding to the level of the agreement with the federal government.

DP 7022 - Child Support Debt Collection Costs - The legislative budget includes an increase of \$104,300 general fund to fund debt collection costs for collecting overpaid child support payments made to custodial parents and delinquent child support payments from non-custodial parents.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 439 - Senate Bill No. 439										
07	2.00	137,045	0	0	137,045	2.00	126,141	0	0	126,141
DP 680 - House Bill No. 680										
07	1.00	42,876	0	0	42,876	1.00	38,982	0	0	38,982
DP 944 - Unspecified Reduction										
07	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 6013 - 2009 Biennium Pay Plan - HB 13										
07	0.00	239,195	5,318	9,314	253,827	0.00	515,945	11,308	19,770	547,023
DP 6014 - Retirement Employer Contributions - HB 131										
07	0.00	6,428	126	199	6,753	0.00	6,818	126	202	7,146
Total	3.00	\$375,544	\$5,444	\$9,513	\$390,501*	3.00	\$637,886	\$11,434	\$19,972	\$669,292*

DP 439 - Senate Bill No. 439 - The legislative budget includes an increase of \$263,200 general fund to add 2.00 FTE to address the impacts of SB 439 that establishes withholding requirements for natural resource royalty payments. Of the funding, \$11,800 in FY 2008 is designated as one time only. HB 2 includes contingency language that would have voided the funding if SB 439 is not passed and approved. SB 439 has become law, so the funding is valid.

DP 680 - House Bill No. 680 - The legislative budget includes an increase of nearly \$81,900 general fund to add 1.00 FTE to address the impacts of HB 680 that authorizes the department to collect out-of-state debt. Of the funding, \$3,925 in FY 2008 is designated as one time only.

DP 944 - Unspecified Reduction - The legislative budget includes an unspecified reduction of \$100,000 general fund.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates**Proprietary Program Description**

The Collection Services Program provides the collection services function that collects debt associated with delinquent accounts. The collection services function serves all state agencies and is funded through a service charge for collecting on delinquent accounts.

Proprietary Revenues and Expenses

The program collects the largest amount of revenues on delinquent accounts through offsets of individual income tax refunds and through offsets of refunds made by the Department of Fish, Wildlife & Parks after a permit applicant is unsuccessful in drawing a hunting permit. The timing of these two major collection sources necessitates the center maintaining a 9-month working capital balance to fund expenses throughout the year. These funds are used to pay the expenses of the center, including 3.50 FTE. Personal services costs account for approximately 86.0 percent of program costs. The remaining costs are related to rent, computer access and processing, and a percentage of the statewide fixed costs allocated to this function. For the 2007 biennium, the legislature provided a \$147,460 general fund, biennial appropriation to augment these proprietary funds to offset the revenue lost from not collecting a fee for the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from non-custodial parents. During the department reorganization, this function was moved from the previous Customer Service Center to the division.

Proprietary Rate Explanation

The rate for the 2009 biennium is 5 percent of the amount of delinquent accounts collected by the program, the approved rate is also listed in Section R of HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	297.85	12.25	0.00	310.10	12.25	0.00	310.10	310.10
Personal Services	11,183,087	2,633,697	565,538	14,382,322	2,674,207	1,164,801	15,022,095	29,404,417
Operating Expenses	3,726,941	871,126	(50,000)	4,548,067	785,580	(50,000)	4,462,521	9,010,588
Equipment	8,722	0	0	8,722	0	0	8,722	17,444
Debt Service	972	0	0	972	0	0	972	1,944
Total Costs	\$14,919,722	\$3,504,823	\$515,538	\$18,940,083	\$3,459,787	\$1,114,801	\$19,494,310	\$38,434,393
General Fund	14,879,469	3,495,076	515,538	18,890,083	3,450,040	1,114,801	19,444,310	38,334,393
State/Other Special	40,253	9,747	0	50,000	9,747	0	50,000	100,000
Total Funds	\$14,919,722	\$3,504,823	\$515,538	\$18,940,083	\$3,459,787	\$1,114,801	\$19,494,310	\$38,434,393

Program Description

Property Assessment Division is responsible for the valuation and assessment of real and personal property throughout the state for property tax purposes. The division is comprised of a central office located in Helena and six regions. There is a local Department of Revenue office located in each of the county seats within the regional areas.

Program Highlights

Department of Revenue Property Assessment Division Major Budget Highlights	
♦	Budget adjustments increase total funds by \$8.6 million primarily for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$3.1 million) • The addition of 10.00 FTE to address workload impacts due to increasing numbers of property parcels (\$2.9 million) • State employee pay plan adjustments (\$1.7 million) • Field office rent increases (\$660,800) • The addition of 2.25 FTE GIS staff with one-time funding to support property reappraisals (\$314,500)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Property Assessment Divi						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 14,879,469	99.7%	\$ 18,890,083	99.7%	\$ 19,444,310	99.7%
01100 General Fund	14,879,469	99.7%	18,890,083	99.7%	19,444,310	99.7%
02000 Total State Special Funds	40,253	0.3%	50,000	0.3%	50,000	0.3%
02320 Property Value. Improv. Fund	40,253	0.3%	50,000	0.3%	50,000	0.3%
Grand Total	\$ 14,919,722	100.0%	\$ 18,940,083	100.0%	\$ 19,494,310	100.0%

Funding for the Property Assessment Division is from general fund and state special revenue. State special revenue is from the property valuation improvement fund and is used for increasing the efficiency of the property appraisal,

assessment, and taxation process through improvements in technology and administration. Revenue deposited to the fund is from a fee received as reimbursement for the cost of developing and maintaining the property valuation and assessment system database. The fee is charged to persons, federal agencies, state agencies, and other entities requesting the database or any part of the database from any department property valuation and assessment system. The fee may not be charged to the Office of Budget and Program Planning, the State Tax Appeal Board, or any legislative agency or committee.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,797,646					1,839,264
Vacancy Savings					(519,238)					(520,891)
Inflation/Deflation					183,757					197,012
Fixed Costs					52,763					68,702
Total Statewide Present Law Adjustments					\$1,514,928					\$1,584,087
DP 802 - Reappraisal - GIS Staff-OTO	2.25	210,280	0	0	210,280	2.25	104,250	0	0	104,250
DP 6015 - State Motor Pool Rate Change	0.00	(15,855)	0	0	(15,855)	0.00	(16,300)	0	0	(16,300)
DP 8012 - Maintain Parcel Count Caseload	10.00	1,481,608	0	0	1,481,608	10.00	1,440,796	0	0	1,440,796
DP 8021 - PAD Field Office Rent	0.00	313,862	0	0	313,862	0.00	346,954	0	0	346,954
Total Other Present Law Adjustments	12.25	\$1,989,895	\$0	\$0	\$1,989,895	12.25	\$1,875,700	\$0	\$0	\$1,875,700
Grand Total All Present Law Adjustments					\$3,504,823					\$3,459,787

DP 802 - Reappraisal - GIS Staff-OTO - The legislative budget includes an increase of \$314,500 general fund for personal services and operating costs to add 2.25 FTE per year to value and classify agricultural and forest land by December 31, 2008. The funding is designated as one time only.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 8012 - Maintain Parcel Count Caseload - The legislative budget includes an increase of \$2.9 million general fund to fund personal services and operating costs to add 10.00 FTE per year to address workload impacts due to increasing numbers of property parcels. Of the FY 2008 appropriation, \$52,333 is designated as one time only.

DP 8021 - PAD Field Office Rent - The legislative budget includes an increase of \$660,800 general fund to pay for office space rent increases for division staff throughout the state.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 944 - Unspecified Reduction										
08	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
DP 6013 - 2009 Biennium Pay Plan - HB 13										
08	0.00	551,749	0	0	551,749	0.00	1,150,149	0	0	1,150,149
DP 6014 - Retirement Employer Contributions - HB 131										
08	0.00	13,789	0	0	13,789	0.00	14,652	0	0	14,652
Total	0.00	\$515,538	\$0	\$0	\$515,538*	0.00	\$1,114,801	\$0	\$0	\$1,114,801*

DP 944 - Unspecified Reduction - The legislative budget includes an unspecified reduction of \$100,000 general fund.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	149.72	3.00	7.90	160.62	3.00	8.90	161.62	161.62
Personal Services	7,551,646	1,443,298	698,915	9,693,859	1,573,338	1,141,567	10,266,551	19,960,410
Operating Expenses	7,799,929	2,185,182	2,662,374	12,647,485	2,149,304	799,581	10,748,814	23,396,299
Equipment	42,256	0	0	42,256	0	0	42,256	84,512
Local Assistance	22,944	0	0	22,944	0	0	22,944	45,888
Grants	0	860,530	0	860,530	860,530	0	860,530	1,721,060
Transfers	500,000	(500,000)	0	0	(500,000)	0	0	0
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$15,948,825	\$3,989,010	\$3,361,289	\$23,299,124	\$4,083,172	\$1,941,148	\$21,973,145	\$45,272,269
General Fund	3,645,471	2,550,644	1,728,660	7,924,775	2,660,514	799,510	7,105,495	15,030,270
State/Other Special	4,210,892	1,819,522	774,307	6,804,721	1,894,859	1,013,239	7,118,990	13,923,711
Federal Special	147,422	(60,129)	800,000	887,293	(60,089)	0	87,333	974,626
Capital Projects	500,000	(500,000)	0	0	(500,000)	0	0	0
Proprietary	7,445,040	178,973	58,322	7,682,335	87,888	128,399	7,661,327	15,343,662
Total Funds	\$15,948,825	\$3,989,010	\$3,361,289	\$23,299,124	\$4,083,172	\$1,941,148	\$21,973,145	\$45,272,269

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- Accounting and financial reporting
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- State bonded indebtedness administration
- State treasury services
- Capitol complex building maintenance and security
- Duplicating, mail and messenger services
- Procurement and surplus property administration
- Information systems development, telecommunications, data processing, and strategic planning
- Personnel management and labor relations
- State financial institution oversight and regulation
- Insurance coverage and Tort Claims Act administration
- Administration of the Long Range Building Program
- Administration of state employee group benefits

The Board of Examiners, the State Tax Appeal Board, Office of the Public Defender, the Public Employees' Retirement Board, the Teachers' Retirement Board, the Montana Lottery, and the Montana Consensus Council are attached to the department for administrative purposes only.

Agency Highlights

Department of Administration Major Budget Highlights	
♦	Budget adjustments increase total funds by \$13.4 million for the two years of the biennium on top of a base of \$15.9 million
♦	Significant budget increases for general fund are for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$5.2 million) • SABHRS licensing costs (\$0.8 million) • Workers' compensation cost containment (\$0.8 million) • 2009 biennium pay plan (\$0.4 million) • Supercomputer center study (\$0.3 million)
♦	Significant budget increases for state special revenue are for: <ul style="list-style-type: none"> • GIS funding switch (\$2.2 million) • Statewide present law adjustments (\$1.1 million) • Contracted services for expanded Long-range Building Program (\$0.7 million) • Licensing of mortgage lenders (\$0.5 million) • Professional career ladder for bank examiners (\$0.3 million)
♦	Significant budget increases for federal special revenue are for: <ul style="list-style-type: none"> • Geographic coordinate database (\$0.8 million)
♦	Personal services will increase by 11.90 FTE in HB 2 positions for: <ul style="list-style-type: none"> • Bank examiners in the Banking and Financial Division • Administrative support for Banking and Financial Division licensing support • Public safety communications program computer analysts • Computer information system manager and programmer

Summary of Legislative Action

The legislative budget for total funds is \$10.9 million more than the 2007 biennium and includes funding for HB 2 of the special session and HB 13 and HB 131 of the regular session. HB 13 funds the pay plan increases for the 2009 biennium and accounts for \$1.0 million of the total fund increase and \$402,800 of the general fund budget for the biennium. HB 131 funds increases in employer contribution to retirement systems and accounts for \$27,800 of the total fund increase. Significant items in the legislative budget are:

- Statewide present law adjustments (\$6.4 million)
- A funding switch to move administration of the Montana Land Information Act, including 3.00 FTE, from non-budgeted proprietary to HB 2 funding (\$2.2 million)
- Statewide pay plan (\$1.0 million)
- An increase of SABHRS licensing costs (\$800,000)
- Enhancements to a geographic coordinate database (\$800,000)
- A new program for containment of workers' compensation costs (\$767,000)
- Contracted services for an expanded Long-range Building Program (\$680,000)
- Workload impacts from licensing of mortgage lenders (\$474,000)
- Funding for a professional career ladder for bank examiners (\$312,500)
- A study of the feasibility for establishing a supercomputer center (\$275,000)

For the biennium 11.90 FTE were added to HB 2 funding, of which:

- 3.90 FTE were existing staff moved from non-budgeted proprietary funding to HB 2 funding
- 8.00 FTE were new staff added to:
 - Administer wireless enhanced 9-1-1 telephone program (1.00 FTE)
 - Address workload for licensing of mortgage lenders (3.00 FTE)

- Implement centralized management of workers' compensation costs (3.00 FTE)
- Provide administrative support for the State Tax Appeals Board (1.00 FTE)

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
02 Governor Elect Program	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000	0.11%
03 Admin Financial Serv Division	4,365,683	3,174	174,626	99,289	4,642,772	10.26%
04 Architecture & Engineering Pgm	-	3,536,355	-	-	3,536,355	7.81%
06 General Services Program	5,106,205	193,706	-	-	5,299,911	11.71%
07 Information Tech Serv Division	1,772,541	2,797,753	800,000	-	5,370,294	11.86%
14 Banking And Financial Division	-	7,292,857	-	-	7,292,857	16.11%
15 Montana State Lottery	-	-	-	15,244,373	15,244,373	33.67%
21 Health Care & Benefits Division	767,369	99,866	-	-	867,235	1.92%
23 State Personnel Division	2,143,700	-	-	-	2,143,700	4.74%
37 State Tax Appeal Board	824,772	-	-	-	824,772	1.82%
Grand Total	\$ 15,030,270	\$ 13,923,711	\$ 974,626	\$ 15,343,662	\$ 45,272,269	100.00%

The agency is primarily funded with general fund, but state special revenue, federal special revenue, and budgeted proprietary funds support operations of several programs. In addition to budgeted proprietary funds, several programs are supported by non-budgeted proprietary funds that rely on legislatively approved fees and charges for generating revenues to support operations. The functions with the highest funding of state special revenue are the Architectural and Engineering Division's construction support function, the Banking and Financial Institution Division's bank examination and licensing functions, and the geographic information system coordination functions of the Information Technology Services Division

Other Legislation

Senate Bill 4 - SB 4 of the regular session created a new special revenue fund from volume spending rebates on certain procurement contracts and authorized the account to be used to administer the state procurement card programs. Funding for SB 4 was included in the executive budget and in HB 2. SB 4 impacts the General Services Division by eliminating two internal service proprietary funds for the state procurement card and fueling network programs and establishing HB 2 funding for the administration of the program including shifting funding for the existing 0.70 FTE and associated operating costs of the previous proprietary programs. See new proposal decision packages DP 602 and DP 606, which can be viewed in that division's narrative, for further discussion.

Senate Bill 62 - SB 62 of the regular session increased the daily rate paid to advisory board members from \$25 to \$50. SB 62 impacts councils of the department that give advice in the following areas: capitol complex, capital finance, risk management, electronic government, land information, public safety communications, and state employee group benefits. For all councils, SB 62 would add \$3,544 total funds (\$1,519 budgeted funds) to the biennium costs of the department. No increase over the executive budget was provided for the direct impacts of SB 62 and the costs will be absorbed in the agency's operating budget. SB 62 has become law.

Senate Bill 168 - SB 168 of the regular session requires that the payout for unused vacation leave owed to a terminating employee be deposited to a voluntary employees' beneficiary association (VEBA) trust account if the following two conditions are met: (1) the majority of the employees of an employer (state agency) or a specified group of employees vote to become VEBA members; and (2) the employer specifies that the payout for unused vacation leave must be deposited to the VEBA. Statute already requires that the payout for unused sick leave be deposited. A VEBA is a trust account that offers several investment options to participating members. The funds deposited in a VEBA may be used to pay qualified health care costs of plan participants and their dependents and beneficiaries, including health insurance premiums. Funds deposited to a VEBA are not subject to taxation by either the state or federal governments.

Senate Bill 321 - SB 321 of the regular session created a structure for licensing, supervising, and regulating of business and industry development corporations and assigned the regulatory oversight to the department. No funding was added to HB 2 to address the estimated \$2,205 biennium expenditure impacts to the department, but the number of licensed entities is expected to be low and will be administered with existing staff of the Banking and Financial Division.

House Bill 4 - HB 4 of the regular session extends two FY 2007 budget amendments for the Information Technology Services Division. One budget amendment for a federal grant to expand and enhance the Montana special data infrastructure was authorized to continue into federal FY 2008. The other for the purchase of technology equipment to enhance tribal and urban public safety answering points through the new 9-1-1 system is authorized to continue into FY 2009.

House Bill 4 - HB 4 of the special session funds capital projects and information technology capital projects. Capital projects include \$25.2 million funded from the long-range building program account in the capital projects fund type for projects such as:

- o Code and deferred maintenance projects
- o Statewide repair projects
- o Statewide fire protection projects
- o Enterprise systems services centers

Information technology initiatives funded with \$10.7 million long-range information technology program account in the capital projects fund type appropriated to the department include:

- o Network upgrades
- o University research network
- o Public safety radio consortium
- o Public safety radio interoperability

House Bill 13 - HB 13 funds the statewide employee pay plan for the 2009 biennium. HB 13 requires that state employees be placed on the broadband pay plan, provided an annual base salary increase, an additional longevity increase for employees who have completed 10 years of uninterrupted service, and employee health insurance employer contribution increases. HB 13 includes appropriations for the 2009 biennium costs of the pay plan. The HB 13 amounts are included in the tables of this report.

House Bill 27 - HB 27 of the regular session increased the 9-1-1 fee from \$0.50 per subscriber to \$1.00 per subscriber for use to establish the enhanced 9-1-1 emergency capacity for wireless telephone services. Funding was added to the budget of the Information Technology Services Division in new proposal DP 750 to add 1.00 FTE and associated operating costs to administer the program. For further discussion of the budget impacts, see the decision package description in that division's narrative.

House Bill 69 - HB 69 of the regular session revised laws for licensing and regulation of mortgage lenders. Funding was added to the budget of the Banking and Financial Division in new proposal DP 1403 to add 3.00 FTE and associated operating costs to administer the program. For further discussion of the budget impacts, see the decision package description in that division's narrative.

House Bill 131 - HB 131 increases the employer contribution rates for certain public employee retirement plans. HB 131 includes appropriations for the 2009 biennium costs of the contribution increases. The HB 131 amounts are included in the tables of this report.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	149.72	161.62	160.62	(1.00)	162.62	161.62	(1.00)	
Personal Services	7,551,646	9,405,699	9,693,859	288,160	9,581,457	10,266,551	685,094	973,254
Operating Expenses	7,799,929	11,935,745	12,647,485	711,740	10,810,667	10,748,814	(61,853)	649,887
Equipment	42,256	257,256	42,256	(215,000)	57,256	42,256	(15,000)	(230,000)
Local Assistance	22,944	22,944	22,944	0	22,944	22,944	0	0
Grants	0	860,530	860,530	0	860,530	860,530	0	0
Transfers	500,000	8,534,000	0	(8,534,000)	7,150,000	0	(7,150,000)	(15,684,000)
Debt Service	32,050	32,050	32,050	0	32,050	32,050	0	0
Total Costs	\$15,948,825	\$31,048,224	\$23,299,124	(\$7,749,100)	\$28,514,904	\$21,973,145	(\$6,541,759)	(\$14,290,859)
General Fund	3,645,471	15,724,402	7,924,775	(7,799,627)	13,969,683	7,105,495	(6,864,188)	(14,663,815)
State/Other Special	4,210,892	6,798,481	6,804,721	6,240	6,910,924	7,118,990	208,066	214,306
Federal Special	147,422	887,293	887,293	0	87,333	87,333	0	0
Capital Projects	500,000	0	0	0	0	0	0	0
Proprietary	7,445,040	7,638,048	7,682,335	44,287	7,546,964	7,661,327	114,363	158,650
Total Funds	\$15,948,825	\$31,048,224	\$23,299,124	(\$7,749,100)	\$28,514,904	\$21,973,145	(\$6,541,759)	(\$14,290,859)

For the biennium, the legislative budget is \$14.3 million less in total funds than the executive budget, with general fund \$14.7 million less. The differences from the executive budget are due primarily to the following:

- The bill doesn't fund:
 - A transfer of general fund from the appropriated portion of the General Services Division to the Facilities and Maintenance Bureau to establish a base for deferred maintenance, but a transfer for this purpose has been included in SB 79 (\$14.3 million)
 - A one time transfer from the general fund to the Public Employee Retirement System to retire the loan taken to startup the defined contribution plan, as the transfer is duplicated in other legislation (\$1.4 million)
 - A new program for disposal of computer surplus property (\$299,900)
 - A new program to centralize funding of costs associated with procurement protests (\$100,000)
 - A maintenance agreement for an electronic benefits and policy module of the statewide accounting, budgeting, and human resources system (\$55,000)
- The executive withdrew a request to evaluate SABHRS in light of potential changes in the foundation database and vendor changes (\$270,000)
- The legislative budget funds the following items that were not in HB 2 as requested by the executive:
 - An increase in SABHRS licensing costs (\$800,000)
 - Statewide pay plan, for which appropriations are in HB 13 of the regular session but the amounts are reflected in the tables of this report (\$1.0 million)
 - Statewide employer contribution increase to retirement systems, for which appropriations are in HB 131 of the regular session but the amounts are reflected in the tables of this report (\$27,800)

The legislative budget includes rates for fees and charges of internal service proprietary funds. The following changes were made to the rates proposed in the executive budget:

- Rates for the maximum allocation of costs to operate the Management Services Unit of the Administration and Financial Services Division and a per FTE served rate for the human resources portion are included, as opposed to the 60-day working capital rate requested in the executive budget

- Specific rates for services provided by the Print and Mail Services Bureau of the General Services Program are included, as opposed to the 60-day working capital rate requested in the executive budget. The rates in this bill include a 6.0 percent increase over the published rates of the bureau
- Markup rates of 25 percent on products sold through the Central Stores Program are included, as opposed to a 60-day working capital rate proposed in the executive budget
- Rates for the Professional Development Center of the State Personnel Division for the cost of courses of specific duration are included, as opposed to an intermediate rate for determining the final course rate as proposed in the executive budget

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	50,000	0	50,000	50,000
Total Costs	\$0	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000
General Fund	0	0	0	0	50,000	0	50,000	50,000
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$0	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000

Program Description

The Governor Elect Program pays start-up costs for the incoming Governor, as required by 2-15-221, MCA.

Program Highlights

Department of Administration Governor-Elect Program Major Budget Highlights
♦ \$50,000 general fund only in FY 2009

Funding

The Governor Elect Program is fully funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Governor-elect appropriation	0.00	0	0	0	0	0.00	50,000	0	0	50,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$50,000	\$0	\$0	\$50,000
Grand Total All Present Law Adjustments					\$0					\$50,000

DP 201 - Governor-elect appropriation - The legislative budget includes \$50,000 general fund in FY 2009 for startup costs of a Governor-elect and staff from the general election to inauguration in the event a new Governor is elected in the 2008 general election.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	23.84	0.25	0.00	24.09	0.25	0.00	24.09	24.09
Personal Services	1,177,233	279,596	45,827	1,502,656	282,520	105,553	1,565,306	3,067,962
Operating Expenses	330,751	57,372	800,000	1,188,123	11,670	0	342,421	1,530,544
Local Assistance	22,133	0	0	22,133	0	0	22,133	44,266
Grants	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,530,117	\$336,968	\$845,827	\$2,712,912	\$294,190	\$105,553	\$1,929,860	\$4,642,772
General Fund	1,442,270	286,315	845,827	2,574,412	243,448	105,553	1,791,271	4,365,683
State/Other Special	793	794	0	1,587	794	0	1,587	3,174
Federal Special	42,058	45,235	0	87,293	45,275	0	87,333	174,626
Proprietary	44,996	4,624	0	49,620	4,673	0	49,669	99,289
Total Funds	\$1,530,117	\$336,968	\$845,827	\$2,712,912	\$294,190	\$105,553	\$1,929,860	\$4,642,772

Program Description

The Administrative Financial Services Division consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached programs. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and personnel function provide financial, budgeting, accounting, personnel, and payroll functions for the department. The Labor Relations Office assists agencies in collective bargaining and labor relations. Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel and defines, reviews, and enforces auditing requirements for Montana's local governments. The SABHRS Services Bureau provides the programming and support for the financial, human resource and budgeting system for the State.

Program Highlights

Department of Administration Administrative Financial Services Division Major Budget Highlights	
♦	Budget adjustments increase total funds by \$1.6 million primarily for: <ul style="list-style-type: none"> • SABHRS licensing costs (\$800,000) • Statewide present law adjustments (\$595,200) • Statewide pay plan adjustments (\$148,100)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Admin Financial Serv Div						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,442,270	94.3%	\$ 2,574,412	94.9%	\$ 1,791,271	92.8%
01100 General Fund	1,442,270	94.3%	2,574,412	94.9%	1,791,271	92.8%
02000 Total State Special Funds	793	0.1%	1,587	0.1%	1,587	0.1%
02317 Financial Advisor Fees	793	0.1%	1,587	0.1%	1,587	0.1%
03000 Total Federal Special Funds	42,058	2.7%	87,293	3.2%	87,333	4.5%
03320 Cmia Funds	18,996	1.2%	63,302	2.3%	63,342	3.3%
03369 Flood Control Payments	22,133	1.4%	22,133	0.8%	22,133	1.1%
03978 Federal Portion Of State Divid	929	0.1%	1,858	0.1%	1,858	0.1%
06000 Total Proprietary Funds	44,996	2.9%	49,620	1.8%	49,669	2.6%
06527 Investment Division	44,996	2.9%	49,620	1.8%	49,669	2.6%
Grand Total	\$ 1,530,117	100.0%	\$ 2,712,912	100.0%	\$ 1,929,860	100.0%

The Administrative Financial Services Division is funded with general fund, state and federal special revenues, and proprietary funds. General fund provides funding for the statewide accounting standards, treasury, labor relations, and accounting assistance for local government, and for agency management in support of other programs of the agency funded with general fund. State special revenue provides funding from financial advisor fees. Federal special revenue provides funding for activities associated with the federal Cash Management Improvement Act funds, flood control payments, and the federal portion of State Fund dividends. The division is also funded with a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board.

Most operations of the division are funded with non-budgeted proprietary funds, which are discussed in the "Proprietary Rates" section of the narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					317,994					321,019
Vacancy Savings					(59,809)					(59,931)
Inflation/Deflation					2,179					2,511
Fixed Costs					54,288					16,935
Total Statewide Present Law Adjustments					\$314,652					\$280,534
DP 302 - Burial Board										
	0.00	9,000	0	0	9,000	0.00	9,000	0	0	9,000
DP 303 - Labor Relations 0.25 FTE attorney and rent										
	0.25	(4,343)	0	0	(4,343)	0.25	(4,322)	0	0	(4,322)
DP 305 - Presidential Electors Travel										
	0.00	0	0	0	0	0.00	1,000	0	0	1,000
DP 307 - Laptop Computer Replacement (OTO)										
	0.00	10,000	0	0	10,000	0.00	0	0	0	0
DP 311 - Allocate department indirect/administrative costs										
	0.00	7,790	0	0	7,790	0.00	8,112	0	0	8,112
DP 6015 - State Motor Pool Rate Change										
	0.00	(131)	0	0	(131)	0.00	(134)	0	0	(134)
Total Other Present Law Adjustments	0.25	\$22,316	\$0	\$0	\$22,316	0.25	\$13,656	\$0	\$0	\$13,656
Grand Total All Present Law Adjustments					\$336,968					\$294,190

DP 302 - Burial Board - The legislative budget includes an increase of \$18,000 general fund to fund meetings for the burial board to carry out the functions of the Human Skeletal Remains and Burial Site Protection Act and the Repatriation of Human Remains and Funerary Objects Act.

DP 303 - Labor Relations 0.25 FTE attorney and rent - The legislative budget includes a net reduction of nearly \$8,700 general fund to move 0.25 FTE attorney from the Personnel Division to the Office of Labor Relations in the Director's Office and to adjust rent in anticipation of lower rent costs than in the base.

DP 305 - Presidential Electors Travel - The legislative budget includes an increase of \$1,000 general fund in FY 2009 to pay presidential electors and reimburse their travel costs to Helena for a meeting required in state law to vote for a president and vice president of the United States in December 2008.

DP 307 - Laptop Computer Replacement (OTO) - The legislative budget includes an increase of \$10,000 general fund to fund the replacement of five laptop computers used during accounting and financial reporting assistance at local governments. The funding is designated as one time only.

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$15,900 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 312 - SABHRS Licensing Costs (OTO)										
03	0.00	800,000	0	0	800,000	0.00	0	0	0	0
DP 313 - Agency Goals and Objectives Reporting										
03	0.00	0	0	0	0	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	44,240	0	0	44,240	0.00	103,873	0	0	103,873
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	1,587	0	0	1,587	0.00	1,680	0	0	1,680
Total	0.00	\$845,827	\$0	\$0	\$845,827*	0.00	\$105,553	\$0	\$0	\$105,553*

DP 312 - SABHRS Licensing Costs (OTO) - The legislative budget includes an increase of \$800,000 general fund in FY 2008 to pay for increased licensing costs for SABHRS. The funding is designated as one time only. Funding to replace this adjustment will be captured in rates in the next biennium.

DP 313 - Agency Goals and Objectives Reporting - The legislative budget included an increase of \$5,000 general fund to provide reporting to the Legislative Finance Committee on progress toward attainment of agency goals and objectives. The Governor subsequently vetoed the funding and the associated language that required and defined the reporting requirements.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Language

The legislative budget included the following language for the Administrative and Financial Services Division, but the Governor subsequently vetoed the language and associated line-item appropriation:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objective presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 1503 and new proposal decision package 2204. The report must address the following:

- (1) progress toward the goals; and
- (2) attainment of measurable objectives.

If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void."

Proprietary Rates

Proprietary Program Description

The Administrative Financial Services Division provides the following functions funded with proprietary funds. These programs are described below along with a discussion of program revenues, expenses, and rates to finance the programs:

- Statewide Accounting, Budgeting, and Human Resources Program
- Management Services Unit
- Warrant Writer Program
- Single Audit Review Program

Statewide Accounting, Budgeting, and Human Resources Program (Fund 06511)**Proprietary Program Description**

The Statewide Accounting, Budgeting and Human Resource (SABHRS) Services Bureau is responsible for operational support and maintenance for the statewide finance, human resource, and budget development information systems. The system is used to administer all state financial and accounting functions and is the repository for all state accounting transactions and operating budgets. The system is also used to administer state human resources transactions and is the repository for state agency position and employee data including benefits, performance, training administration, time entry, and payroll. The bureau also administers the Montana Budget, Analysis, and Reporting System (MBARS) that is used to develop the state budget.

Proprietary Revenues and Expenses

In FY 2006, the bureau was still a part of the Information Technology Services Division but revenues for its support were roughly \$6.2 million from SABHRS administrative fees paid by state agencies. State agencies budget for payment of these fees as a fixed cost within statewide present law adjustments.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (27.0 percent), \$1.7 million
- State special revenue (21.5 percent), \$1.3 million
- Federal special revenue (29.2 percent), \$1.8 million
- Proprietary funds (15.7 percent), \$1.0 million
- All other funds (6.5 percent), \$0.4 million

Revenues finance expenses that include personal services of \$2.3 million for 35.00 FTE, or 37 percent of total costs, and operating expenses of \$4.1 million, or 63 percent of costs. Mid-tier processing fees paid to use the state information technology network are the single biggest expense and would account for \$2.6 million or 39.7 percent of total costs in the 2009 biennium.

Proprietary Rate Explanation

The rate for SABHRS costs is based on predicted expenditures. The predicted costs are allocated to agencies based on the following weighted usage of the system and are included in agency budgets as part of the fixed cost statewide present law adjustment:

- FTE count - 42.25 percent
- Journal lines - 45.43 percent
- Number of agency budget decision packages and Executive Planning Process requests - 12.32 percent

For the 2009 biennium, the following rates were approved. The rates are also listed in Section R of HB 2, and are the total costs to be allocated to and collected from agencies:

- FY 2008 - \$6,774,746
- FY 2009 - \$6,616,145

Implied with approval of the rates are the following funding changes:

- Increases of about \$274,000 for statewide present law adjustments
- Increases of \$12.4 million to move the program from the Information Technology Service Division to the Administrative and Financial Services Division of the agency, with a corresponding reduction in the Information Technology Services Division
- Increases of \$169,000 for an allocation of indirect cost payments for services received from proprietary funded centralized service functions of the agency

Management Services Unit (Fund 06534)**Proprietary Program Description**

The Management Services Unit consists of the Director's Office, the Management Support Unit, the Human Resource Unit, and the Legal Unit with a total of 11.83 FTE. The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the legislature, processes budget change documents on approved budgets through the OBPP, monitors approved budgets for compliance with state law and legislative intent, provides accounting assistance to divisions within the department, processes payroll and provides new employee orientation for all divisions within the department, including attached-to-agencies, assists with recruitment and selection, classifies positions and develops personnel policies and procedures. The legal unit advises all divisions within the department on legal matters. The legal unit receives the majority of its funding through the management services unit internal service fund by charging the non-general fund divisions for services provided.

Proprietary Revenues and Expenses

In FY 2006, the unit had revenues of roughly \$867,000 from fees paid by divisions served.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (5.7 percent), \$49,500
- State special revenue (10.7 percent), \$93,100
- Proprietary funds (77.4 percent), \$671,7000
- Trust funds (6.1 percent), \$52,800

Expenses consist of personal services and operating expenses. In FY 2006 personal services of \$663,700 accounted for 84 percent of total expenses and funded 11.83 FTE. The Management Services Unit bills users monthly, which requires the program to operate with around 45 days of working capital. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, the rates that generate the revenue are reduced. No fund balance is required to be reserved for this program.

Proprietary Rate Explanation

For the 2009 biennium, the following rates for the Management Services Unit were approved. The rates are also listed in Section R of HB 2:

- All functions except for the human resources function, maximum allocation of expenses of \$987,261 in FY 2008 and \$996,441 in FY 2009
- For the human resources function a rate per FTE in the supported programs of \$417 in FY 2008 and \$429 in FY 2009

Implied with approval of the rates are the following funding changes:

- Increases of nearly \$211,500 for statewide present law adjustments
- Reductions of \$1,115 to adjust allocations for indirect cost payments for services received from proprietary funded centralized service functions of the agency

Warrant Writer Program (Fund 06564)**Proprietary Program Description**

The department provides the services of the Warrant Writer Program to state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. Because the service is mandated in statute, no alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

Proprietary Revenues and Expenses

In FY 2006, the Warrant Writer Program had revenues of roughly \$801,400 from fees paid by agencies statewide.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- o General fund (27.1 percent), \$217,000
- o State special revenue (15.9 percent), \$127,800
- o Federal special revenue (20.1 percent), \$161,100
- o Proprietary funds (17.3 percent), \$138,300
- o All other funds (19.6 percent), \$157,200

Billing for warrants is done monthly and is based on actual warrants issued. Turnaround time for payment is around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, the rates charged to agencies are reduced in order to reduce revenues.

In FY 2006, revenues funded personal services for 6.33 FTE and operating costs. Personal services of roughly \$206,700 accounted for about 24 percent of expenses, with operating costs making up the majority of costs at roughly \$666,700 or nearly 76 percent of unit expenses. Major operating costs are for postage and mailing (\$451,300 or 47 percent of program costs), and warrant printing and bank service fees (combined are \$115,000 or 12 percent of costs).

The fund report for fund 06564 anticipates operating revenues from rates and other charges would be less than the anticipated operating expenses through the 2007 biennium, resulting in operating losses totaling \$166,200 for the 2007 biennium. These losses would deplete fund balance to negative \$21,700 at the end of FY 2007.

Demand for each warrant category is made by comparing two biennia of actual activity to project usage for the upcoming biennium. Mailer warrants factor in warrant stock cost, postage, and printing. Non-mailer warrants factor in warrant stock cost and printing. Both type of warrants pay for the required reconciliation between SABHRS accounts payable module and the state bank account. Direct deposits pay a \$0.05 charge for bank processing. Duplicate and emergency warrants pay for personnel time to process each individual request. All categories share in general operating expenses of the program.

Proprietary Rate Explanation

The rates for the Warrant Writer Program are shown in Section R of HB 2.

Implied with approval of the rates are the following funding changes:

- o Increases of nearly \$144,300 for statewide present law adjustments
- o Reductions of about \$6,400 to adjust allocations for indirect cost payments for services received from proprietary funded centralized service functions of the agency

Single Audit Review Program (Fund 06042)**Proprietary Program Description**

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act (MSAA), which specifies the audit requirements for all Montana local government entities (2-7-5, MCA). The program performs the following services:

- o Mails out to and receives annual financial reports from approximately 900 local governments
- o Enters selected financial data from the reports into a database
- o Obtains and enters into the database information regarding school district revenues
- o Determines which local government entities are subject to audit under the act and notifies them of the audit requirements
- o Accepts applications from and maintains a roster of independent auditors authorized to conduct local government audits
- o Prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits

- Receives and approves audit contracts for local government audits
- Verifies that all local governments required to have audits do so
- Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards
- Notifies state agencies of audit findings related to financial assistance programs that they administer
- Receives and reviews each local government's response to the audit report findings and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report
- Maintains copies of all local government entity audit reports and the local governments responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public
- Provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits
- Investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline
- Provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public
- Requests for special audits and arranges for such audits if determined to be necessary

Proprietary Revenues and Expenses

The Audit Review Program receives revenues from two fees:

- The report filing fee, required by 2-7-514, MCA, is based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee.
- A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana.

The program incurs operating expenses for personal services and operating costs. In FY 2006 personal services were about \$215,000 or 72.4 percent of total operating costs. Operating expenses of about \$82,000 made up the remaining 28.6 percent of total expenses. The fee revenues support a staff of 4.00 FTE.

Proprietary Rate Explanation

The Audit Review Program is funded with two fees: 1) audit report filing fee; and 2) annual auditor roster fee. The program also received reimbursement from audited entities for costs to contract for special audits as requested. It is the intent of the program to maintain fees sufficient to pay program costs at current level staffing. Because the Single Audit Review Program is funded with an enterprise type proprietary fund, the legislature does not approve the fees for the program. Instead, fees are established in administrative rule. The Single Audit Review program does not receive any direct appropriations. Funding is derived entirely from the fees described below, except for occasional fee reimbursements for special audits or reviews.

Audit Report Filing Fee

The audit report filing fee is required by 2-7-514, MCA. The fee schedule has been adopted as ARM 2.4.402 and shown on the fund report. The program anticipates initiating administrative rule changes to increase the fees for the 2009 biennium, as shown on the fund report.

Annual Auditor Roster Fee

The annual auditor roster fee is provided for by 2-7-506, MCA. The annual auditor roster fee has been adopted as ARM 2.4.406. The current fee in the rule is \$50 per year. The program anticipates initiating administrative rule changes to increase the fee to \$100 for the 2009 biennium.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	915,948	117,241	38,458	1,071,647	122,253	82,933	1,121,134	2,192,781
Operating Expenses	267,022	63,024	340,000	670,046	66,506	340,000	673,528	1,343,574
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,182,970	\$180,265	\$378,458	\$1,741,693	\$188,759	\$422,933	\$1,794,662	\$3,536,355
General Fund	0	0	0	0	0	0	0	0
State/Other Special	1,182,970	180,265	378,458	1,741,693	188,759	422,933	1,794,662	3,536,355
Total Funds	\$1,182,970	\$180,265	\$378,458	\$1,741,693	\$188,759	\$422,933	\$1,794,662	\$3,536,355

Program Description

The Architecture & Engineering Program manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The program also formulates a long-range building plan for legislative consideration each session. In addition, the division is developing and implementing a condition and needs assessment of K-12 public school facilities.

Program Highlights

Department of Administration Architecture and Engineering Major Budget Highlights	
♦	Budget adjustments increase total funds by \$1.2 million primarily for: <ul style="list-style-type: none"> Contracted services to support an expanded Long-range Building Program (\$680,000) Statewide present law adjustments (\$360,600) Statewide pay plan adjustments (\$119,000)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Architecture & Engineeri						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	1,182,970	100.0%	1,741,693	100.0%	1,794,662	100.0%
02030 Arch & Engin Construction	1,182,970	100.0%	1,741,693	100.0%	1,794,662	100.0%
Grand Total	\$ 1,182,970	100.0%	\$ 1,741,693	100.0%	\$ 1,794,662	100.0%

The Architecture & Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					160,290					165,513
Vacancy Savings					(43,049)					(43,260)
Inflation/Deflation					4,968					5,359
Fixed Costs					53,975					56,822
Total Statewide Present Law Adjustments					\$176,184	\$184,434				
DP 311 - Allocate department indirect/administrative costs										
	0.00	0	4,466	0	4,466	0.00	0	4,720	0	4,720
DP 6015 - State Motor Pool Rate Change										
	0.00	0	(385)	0	(385)	0.00	0	(395)	0	(395)
Total Other Present Law Adjustments										
	0.00	\$0	\$4,081	\$0	\$4,081	0.00	\$0	\$4,325	\$0	\$4,325
Grand Total All Present Law Adjustments					\$180,265	\$188,759				

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$9,200 state special revenue to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 312 - Contracted Services Expanded Long Range Building										
04	0.00	0	340,000	0	340,000	0.00	0	340,000	0	340,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	0	37,280	0	37,280	0.00	0	81,712	0	81,712
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	0	1,178	0	1,178	0.00	0	1,221	0	1,221
Total	0.00	\$0	\$378,458	\$0	\$378,458*	0.00	\$0	\$422,933	\$0	\$422,933*

DP 312 - Contracted Services Expanded Long Range Building - The legislative budget includes an increase of \$680,000 state special revenue to fund contracted services for project management in the areas of planning, design, and construction. The increase would address workload issues in the Long-range Building Program (LRBP) caused by growth since the 2005 biennium.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	10.35	0.00	0.90	11.25	0.00	0.90	11.25	11.25
Personal Services	493,727	45,358	75,927	615,012	48,825	103,823	646,375	1,261,387
Operating Expenses	104,180	1,778,739	58,351	1,941,270	1,870,492	58,482	2,033,154	3,974,424
Equipment	0	0	0	0	0	0	0	0
Transfers	500,000	(500,000)	0	0	(500,000)	0	0	0
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$1,129,957	\$1,324,097	\$134,278	\$2,588,332	\$1,419,317	\$162,305	\$2,711,579	\$5,299,911
General Fund	629,957	1,824,097	37,506	2,491,560	1,919,317	65,371	2,614,645	5,106,205
State/Other Special	0	0	96,772	96,772	0	96,934	96,934	193,706
Federal Special	0	0	0	0	0	0	0	0
Capital Projects	500,000	(500,000)	0	0	(500,000)	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$1,129,957	\$1,324,097	\$134,278	\$2,588,332	\$1,419,317	\$162,305	\$2,711,579	\$5,299,911

Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's vehicle fueling, energy procurement, and procurement card programs.

The Print and Mail Services Bureau provides print and mail services to state agencies at a central facility. Services include internal printing including three quick copy centers, external (contracted) printing, photocopy pool, mail preparation, central mail operations, inter-agency (deadhead) mail, and the United States post office in the Capitol Building.

The Property and Supply Bureau manages the central stores program and the state and federal surplus property programs.

Program Highlights

Department of Administration General Services Program Major Budget Highlights	
♦	Budget adjustments increase total funds by \$3.0 million primarily for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$3.7 million) • A funding switch for existing 0.7 FTE from proprietary to HB 2 funding to administer procurement volume rebates (\$193,700) • Statewide pay plan adjustments (\$84,400) • Elimination of capital land grant funding (\$1.0 million reduction)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table General Services Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 629,957	88.8%	\$ 2,491,560	96.3%	\$ 2,614,645	96.4%
01100 General Fund	629,957	55.8%	2,491,560	96.3%	2,614,645	96.4%
02000 Total State Special Funds	-	-	96,772	3.7%	96,934	3.6%
02211 Procurement Special Revenue	-	-	96,772	3.7%	96,934	3.6%
05000 Total	500,000	44.2%	-	-	-	-
05008 Capitol Building Sr	500,000	44.2%	-	-	-	-
Grand Total	\$ 1,129,957	100.0%	\$ 2,588,332	100.0%	\$ 2,711,579	100.0%

Base year funding for the General Services Division includes general fund, capitol land grant trust fund, and proprietary funds. General fund provides funding for the Procurement Bureau and about \$32,000 for facilities maintenance. Capitol land grant trust funds facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. For the 2009 biennium, general fund replaces capitol land grant trust funds and funds maintenance of common areas.

The following programs are funded with proprietary funds and are not shown on the main budget tables but are discussed in the proprietary rates section for the division:

- Print and Mail services
- Central stores
- Facilities management
- Surplus property

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
FTE	Fiscal 2008				FTE	Fiscal 2009				Total Funds
	General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds	
Personal Services				67,821						71,431
Vacancy Savings				(22,463)						(22,606)
Inflation/Deflation				231						259
Fixed Costs				1,775,464						1,867,041
Total Statewide Present Law Adjustments				\$1,821,053						\$1,916,125
DP 311 - Allocate department indirect/administrative costs	0.00	3,047	0	3,047	0.00	3,195	0	0	3,195	
DP 620 - Eliminate Capital Land Grant Funding	0.00	0	0	(500,000)*	0.00	0	0	0	(500,000)*	
DP 6015 - State Motor Pool Rate Change	0.00	(3)	0	(3)	0.00	(3)	0	0	(3)	
Total Other Present Law Adjustments	0.00	\$3,044	\$0	(\$496,956)*	0.00	\$3,192	\$0	\$0	(\$496,808)*	
Grand Total All Present Law Adjustments				\$1,324,097*						\$1,419,317*

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$6,200 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 620 - Eliminate Capital Land Grant Funding - The legislative budget includes a reduction of \$1.0 million capital projects funds to eliminate funding from the Capitol land grant account for major maintenance projects of the Facilities Maintenance Bureau.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 602 - Funding Switch for 0.10 FTE in the Procard Program										
06	0.10	0	16,079	0	16,079	0.10	0	16,091	0	16,091
DP 604 - Funding Switch for 0.20 FTE in the Procurement Bur										
06	0.20	8,634	0	0	8,634	0.20	8,642	0	0	8,642
DP 606 - Funding Switch for 0.60 FTE in the Fueling Program										
06	0.60	0	50,715	0	50,715	0.60	0	50,834	0	50,834
DP 625 - Senate Bill No. 4										
06	0.00	0	29,978	0	29,978	0.00	0	30,009	0	30,009
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	28,268	0	0	28,268	0.00	56,088	0	0	56,088
DP 6014 - Retirement Employer Contributions - HB 131										
06	0.00	604	0	0	604	0.00	641	0	0	641
Total	0.90	\$37,506	\$96,772	\$0	\$134,278*	0.90	\$65,371	\$96,934	\$0	\$162,305*

DP 602 - Funding Switch for 0.10 FTE in the Procard Program - The legislative budget includes an increase of \$32,200 state special revenue to move 0.10 FTE existing staff from the proprietary funded State Procurement Card Program to appropriated funding. The funding switch is due to provisions under a new contract awarded for state procurement card purchases in which a fee will no longer be assessed but a volume rebate will be paid to the state for purchase made by the procurement card program. The volume rebate will be deposited into a state special revenue account to fund the FTE to administer the program for the state.

DP 604 - Funding Switch for 0.20 FTE in the Procurement Bur - The legislative budget includes an increase of \$17,300 general fund to implement a funding switch for 0.20 FTE of an existing position following a reorganization that changed the position's duties from a deputy administrator of the division to a contracts officer. Under the revised duties, the position fully supports state procurement activities and no longer supports other proprietary funded programs of the division.

DP 606 - Funding Switch for 0.60 FTE in the Fueling Program - The legislative budget includes an increase of \$101,500 state special revenue to move 0.60 FTE existing staff from the proprietary funded State Fueling Program to appropriated funding. The funding switch is due to provisions under a new contract awarded for state procurement card purchases of fuel for state-owned vehicles in which a fee will no longer be assessed but a volume rebate will be paid to the state for purchase made by the procurement card program. The volume rebate will be deposited into a state special revenue account to fund the FTE to administer the program for the state.

DP 625 - Senate Bill No. 4 - The legislative budget includes an increase of nearly \$60,000 state special revenue to address the impacts of SB 4 that regulates procurement rebates. Contingency language was included in HB 2 of the special session to void the funding if SB 4 of the regular session is not passed and approved. SB 4 has become law, so the funding is valid.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates to finance the programs:

- Facilities Management
- Print and Mail Services
- Central Stores
- Surplus Property

Facilities Management Bureau (Fund 06528)

Proprietary Program Description

Facilities Management Bureau is the custodian of state property and grounds in the state capitol area. The bureau provides facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and provides statewide leasing assistance to agencies to negotiate co-location of agencies to procure leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program serves all agencies and units within state government.

Proprietary Revenues and Expenses

In FY 2006, the Facilities Management Bureau had revenues of roughly \$6.9 million from rent, grounds maintenance, and handyman charges payments paid by tenant agencies. These payments made up 90.8 percent of revenues for the bureau. Revenue collected from Capitol Land Grant transfer added 6.6 percent, construction cost recovery adds about 2.5 percent to revenues, and recycling revenue provides the remaining 0.1 percent.

These rent, grounds maintenance, and handyman charges were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (41.3 percent), \$2.8 million
- State special revenue (17.9 percent), \$1.2 million
- Federal special revenue (17.4 percent), \$1.2 million
- Proprietary funds (22.5 percent), \$1.5 million
- All other funds (0.9 percent), \$59,000

In FY 2006, revenues funded personal services for 30.16 FTE (24.1 FTE for facilities and 6.06 FTE for grounds) and operating costs. Personal services of roughly \$1.0 million were 14 percent of expenses. The lion's share of costs was for operating expenses amounting to \$6.2 million or 85 percent of program expenses. Operating expenses are comprised of utilities, insurance, repair and maintenance, and contracted services. The program contracts for these functions: janitorial, mechanical, elevator, pest control, and security services. All contracted costs are expected to increase in the 2009 biennium (19 percent in FY 2008 and 22 percent in FY 2009) due to additional service requirements, equipment, gasoline, and petroleum product cost increases and higher prevailing wage rates. Prevailing wage rates have increased 19.2 percent for janitorial, 18 percent for mechanical maintenance, and 28 percent for security workers.

Significant increases above the FY 2006 expense level that are included in the rates for the 2009 biennium are the following:

- Statewide adjustments for personal services increases base expenditures by \$171,300 or 13.6 percent each year
- Caretaker services increase \$430,600 for the biennium or 20.2 percent per year over the base of \$1.1 million
- Security protection increases \$319,100 for the biennium or about 56 percent per year over the base of \$284,700
- Electricity increases \$150,000 for the biennium or 6.4 percent per year over the base of \$1.2 million
- Natural gas increases \$398,600 for the biennium or 31.0 percent per year over the base of \$643,000
- Statewide indirect costs increase \$60,200 for the biennium or 90.1 percent per year over the base of \$33,400

Proprietary Rate Explanation

The rates for the Facilities Management Bureau are listed in Section R of HB 2.

Implied with approval of the rates are the following funding and policy changes:

- Fund common areas with general fund
- Provide general fund for \$3.2 million in deferred maintenance projects included in HB 4 of the special session

Significant Adjustments for the 2009 Biennium

The Facilities Management Bureau rates include funding changes totaling about \$2.0 million for the 2009 biennium. Approval of the rates implies approval of the funding changes identified below.

The following adjustments increase costs:

- An increase of \$954,800 for statewide present law adjustments, driven significantly by utility cost increases totaling \$549,000
- An increase of \$18,000 to allocate department indirect/administrative costs that fund other proprietary funded centralized services functions of the agency
- An increase of \$677,400 to address contract cost increases for janitorial, mechanical and elevator maintenance, pest control, and security protection contracts due to workload, prevailing wage, petroleum-based products, and insurance increases that are increasing contractor costs
- An increase of \$181,800 to contract with the Helena Police Department to provide one armed police officer on the capitol complex to enhance complex security
- An increase of \$169,400 to add 2.04 FTE to convert existing part-time positions for grounds maintenance into full-time positions to address increased demand for services as the result of increased number of facility locations

The following adjustment decreases costs:

- A decrease of \$17,300 to move 0.20 FTE for an existing position to funding in the appropriated portion of the program due to changed position duties

Print and Mail Services Bureau (Fund 6530)

Proprietary Program Description

The Print and Mail Services Bureau provides printing, mail services, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. The bureau has seven basic components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead) mail; and 7) postal contract station with locked mail boxes in the Capitol. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through print services, which determines the most cost effective method of project completion. Not all requests for printing are completed internally. Nearly 74 percent of printing expenditures are procured through commercial vendors. The Postal Contract Station provides mail services to the public.

Proprietary Revenues and Expenses

The Print and Mail Services Bureau provides all services as presented in the program description. Seven basic service categories provide revenues for the operations of the program in the following percentages:

- Internal printing charges user agencies for graphic design and layout, desktop publishing, reprographics, duplicating, bindery, and quick copy – 13.5 percent of revenue
- External printing procures printing through commercial vendors – 36.1 percent of revenue
- Photocopy pool provides state agencies with photocopiers – 8.5 percent of revenue
- Mail preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting, and bar coding – 5.1 percent of revenues
- Central mail operations, which include mail pick-up and delivery in agency offices, metering of out-going U.S. Mail, United Parcel Services (UPS), and express mail services – 34.5 percent of revenue
- Inter-agency (deadhead) mail provides sorting and delivery of incoming mail and pickup and delivery of deadhead mail – 1.8 percent of revenue
- Postal contract station located at the Capitol provides postal services to the public – 0.5 percent of revenue

In FY 2006, Print and Mail Services Bureau had revenues of roughly \$9.5 million from fees paid by agencies statewide. The payments for these revenues were accounted in agency expenditures to several different expenditure accounts. Because expenditure accounts used to account for payments to the bureau are used to account for activities that are not exclusively associated with the bureau, funding of customers is not readily available.

In FY 2006, revenues funded personal services for 41.70 FTE, operating costs, and equipment. Personal services of \$1.2 million were roughly 11.7 percent of expenses, with operating costs of \$8.3 million or 84.2 percent, and equipment of \$394,200 or 4.1 percent accounting for the remaining expenses of the bureau.

Major internal printing costs, excluding personal services, are for direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. Historical demand by agencies for printing services has remained fairly consistent with higher demand cycles when the legislature is in session. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provided the greatest amount of uncertainty to forecasting costs for internal printing.

For external printing the major expenses are pass-through costs of commercial print vendors. These costs have historically remained fairly consistent, but vary depending upon complexity and quantity of agency print projects.

Major expenses for the photocopy pool are pass-through photocopy costs, such as payments made to contracted vendors and personnel services.

Overhead costs for administration, accounting, and supplies are allocated to six of Print and Mail Services Bureau service categories based on FTE. The Capitol Post Office contract does not allow reimbursement for overhead costs.

Proprietary Rate Explanation

The rates for the operations of the Print and Mail Services Bureau are listed in Section R of HB 2. Approval of the rates implies the funding changes listed below.

The following adjustments increase costs:

- o An increase of \$1.4 million for statewide present law adjustments
- o An increase of \$23,600 to allocate department indirect/administrative costs that fund other proprietary funded centralized services functions of the agency
- o An increase of \$298,700 to address workload impacts of the 2009 Legislature that are not in the base due to legislative sessions falling in a non-base year

The following adjustment decreases costs:

- o A decrease of \$389,700 to remove funding for expenses incurred in FY 2006 for the purchase of equipment to address postal security mandates

Central Stores Program (Fund 06531)**Proprietary Program Description**

The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Customers include all agencies and units within state government and participating local governments.

Section 18-4-302(3), MCA, mandates state agencies to use central stores unless the publicly advertised price of an alternate supplier, established catalog price, or discount price offered to the agency is less than the price offered by the stores program, as long as the office supply conforms in all material respects to the terms, conditions, and quality offered by the stores program. Local governments and university system employees are not mandated to use central stores.

Proprietary Revenues and Expenses

In FY 2006, central stores had revenues of \$4.7 million from purchases by state agencies and local governments. Of these revenues \$1.1 million are recorded on the state accounting system as agency expenditures.

The revenues from state sources were received from the following funding sources in the percentages and approximate amounts listed:

- o General fund (56.5 percent), \$606,000
- o State special revenue (16.2 percent), \$173,200
- o Federal special revenue (6.6 percent), \$71,300
- o Proprietary funds (13.5 percent), \$144,600
- o All other funds (7.2 percent), \$77,000

In FY 2006, Central Stores had expenses of \$4.6 million. Of these expenses, about \$4.0 million or 87.6 percent were for products purchased for resale. The remaining 12.4 percent of expenses are for costs to operate the program, including \$341,300 for personal services for 10.75 FTE and \$229,500 for other operating expenses.

Proprietary Rate Explanation

The rates for Central Stores are a percent markup of 25 percent on the products sold. The rate is the same for each year of the 2009 biennium and is listed in Section R of HB 2.

Surplus Property Program (Fund 06066)**Proprietary Program Description**

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. The federal surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs provide a mechanism to transfer surplus property between agencies and extend the life of state property. The program provides accountability in the disposal of surplus state property, provides agencies with a service to collect surplus equipment, and provides an in-state screening service to locate federal surplus property for state agencies and local governments.

Proprietary Revenues and Expenses

The state surplus property programs receive revenues by charging a handling fee applied to the proceeds from the sale of state property. The federal surplus property program receives revenue in accordance with a federal plan of operations approved by the federal General Services Administration. In FY 2006 the program had operating revenues from federal surplus handling fees of about \$18,100 and from the state handling fees of \$279,800. The program also had contributions of equipment of \$377,800.

In FY 2006 expenses were about \$560,800, which was comprised of \$183,800 for personal services for 6.40 FTE, \$384,400 for operating expenses, and \$11,500 for equipment. The major expenses associated with the surplus property program are personal services and costs to pick up and warehouse property.

Proprietary Rate Explanation

The state surplus property program retains a handling fee for property sold. If property is sold for less than \$200, the program retains the proceeds. The program retains \$200 plus unusual expenses for property sold for \$200-\$2,000, and 10 percent plus unusual expenses for property that is sold for more than \$2,000.

The federal surplus property program fees are an allocation of freight expense and 14 percent of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.

Because the program operates with funding from an enterprise type proprietary fund, the legislature does not approve rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	9.00	3.00	1.00	13.00	3.00	1.00	13.00	13.00
Personal Services	611,264	160,050	79,353	850,667	161,371	113,516	886,151	1,736,818
Operating Expenses	291,186	103,907	1,103,322	1,498,415	97,268	25,547	414,001	1,912,416
Equipment	0	0	0	0	0	0	0	0
Grants	0	860,530	0	860,530	860,530	0	860,530	1,721,060
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$902,450	\$1,124,487	\$1,182,675	\$3,209,612	\$1,119,169	\$139,063	\$2,160,682	\$5,370,294
General Fund	409,018	234,357	372,247	1,015,622	233,198	114,703	756,919	1,772,541
State/Other Special	388,068	995,494	10,428	1,393,990	991,335	24,360	1,403,763	2,797,753
Federal Special	105,364	(105,364)	800,000	800,000	(105,364)	0	0	800,000
Total Funds	\$902,450	\$1,124,487	\$1,182,675	\$3,209,612	\$1,119,169	\$139,063	\$2,160,682	\$5,370,294

Program Description

Information Technology Services Division (ITSD) is a proprietary program that manages central computing and telecommunications services for state government. ITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies throughout the state. ITSD provides local and long-distance telephone network services used by all agencies, including the university system, and manages the state's video network METNET. ITSD coordinates electronic government services for the state, and manages the state's Internet presence at the Internet address mt.gov. ITSD also manages the Office of Cyber Protection.

Through the office of the chief information officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves equipment and software acquisitions. The division also provides statewide information technology training, and supports consulting services contracts used by agencies in support of IT systems.

The division also coordinates geographic information systems (GIS) development and manages the state's 911 programs and public safety radio programs.

Program Highlights

Department of Administration Information Technology Services Division Major Budget Highlights	
◆	Budget adjustments increase total funds by \$3.6 million primarily for: <ul style="list-style-type: none"> • A funding switch for existing 3.00 FTE from proprietary to HB 2 funding for GIS coordination (\$2.2 million) • Enhancements to a geographic coordinate database (\$800,000) • A supercomputer center study (\$275,000) • Adding 1.00 FTE to administer a wireless enhanced 9-1-1 emergency communications services program (\$161,700) • Statewide pay plan adjustments (\$83,600) • Statewide present law adjustments (\$66,500)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Information Tech Serv Di						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 409,018	45.3%	\$ 1,015,622	31.6%	\$ 756,919	35.0%
01100 General Fund	409,018	45.3%	1,015,622	31.6%	756,919	35.0%
02000 Total State Special Funds	388,068	43.0%	1,393,990	43.4%	1,403,763	65.0%
02779 Montana Land Information	388,068	43.0%	1,393,990	43.4%	1,403,763	65.0%
03000 Total Federal Special Funds	105,364	11.7%	800,000	24.9%	-	-
03454 Homeland Security Grant	44,834	5.0%	-	-	-	-
03462 Gis-Homeland Security Grant	60,530	6.7%	800,000	24.9%	-	-
Grand Total	\$ 902,450	100.0%	\$ 3,209,612	100.0%	\$ 2,160,682	100.0%

Funding for the division is provided primarily with a proprietary fund that is not shown on the main budget tables, but is discussed in the proprietary rates section that follows the discussion of budget program activity. The legislatively appropriated portion of the division is funded with general fund, state special revenue, and federal special revenue. The division receives general fund to administer the statewide 911 emergency telephone program and the Public Safety Services Office. Federal special revenue funds a portion of the GIS coordination work within the division and until the 2009 biennium a portion of the Public Safety Services Office. State special revenue funds the remaining portion of the GIS coordination work with funding derived from land transaction fees under the Montana Land Information Act.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				4,692					5,813	
Vacancy Savings				(24,637)					(24,684)	
Inflation/Deflation				1,375					1,456	
Fixed Costs				52,627					49,830	
Total Statewide Present Law Adjustments				\$34,057					\$32,415	
DP 311 - Allocate department indirect/administrative costs										
0.00	(1,767)	8,092	0	6,325	0.00	(1,726)	8,131	0	6,405	
DP 740 - GIS Funding Switch for 3.00 FTE										
3.00	0	1,084,225	0	1,084,225	3.00	0	1,080,472	0	1,080,472	
DP 6015 - State Motor Pool Rate Change										
0.00	(102)	(18)	0	(120)	0.00	(105)	(18)	0	(123)	
Total Other Present Law Adjustments										
3.00	(\$1,869)	\$1,092,299	\$0	\$1,090,430	3.00	(\$1,831)	\$1,088,585	\$0	\$1,086,754	
Grand Total All Present Law Adjustments				\$1,124,487					\$1,119,169	

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$16,200 state special revenue with a reduction of \$3,500 general fund for a net increase of \$12,700 over the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 740 - GIS Funding Switch for 3.00 FTE - The legislative budget includes an increase of nearly \$2.2 million state special revenue to move 3.00 FTE existing staff from the proprietary portion of the program to the appropriated portion. The positions would be funded through the Montana Land Information Act (MLIA).

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 701 - Supercomputer Center Study - Bien/OTO										
07	0.00	275,000	0	0	275,000	0.00	0	0	0	0
DP 710 - Geographic Coordinate Database (Bien)										
07	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 750 - House Bill No. 27										
07	1.00	82,222	0	0	82,222	1.00	79,447	0	0	79,447
DP 6013 - 2009 Biennium Pay Plan - HB 13										
07	0.00	14,487	10,254	0	24,741	0.00	34,685	24,180	0	58,865
DP 6014 - Retirement Employer Contributions - HB 131										
07	0.00	538	174	0	712	0.00	571	180	0	751
Total	1.00	\$372,247	\$10,428	\$800,000	\$1,182,675*	1.00	\$114,703	\$24,360	\$0	\$139,063*

DP 701 - Supercomputer Center Study - Bien/OTO - The budget includes \$275,000 general fund for the biennium to conduct a study of a supercomputer center in Montana. The appropriation is one-time-only.

DP 710 - Geographic Coordinate Database (Bien) - The legislative budget includes an increase of \$800,000 federal special revenue to enhance the Geographic Coordinate Database under a grant received in October 2005. The funding would be spent after local stakeholder plans are developed, which are expected to be completed in the summer of 2007. The funding is designated as a biennial appropriation.

DP 750 - House Bill No. 27 - The legislative budget includes an increase of \$162,000 general fund to add 1.00 FTE to address the workload impacts of HB 27 that establishes a wireless enhanced 9-1-1 telephone system.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The Information Technology Services Division (ITSD) manages the following information technology (IT) services for state government:

- o Shared statewide desktop and data network services
- o Central mainframe computer processing
- o Mid-tier access and production services
- o Local and long-distance telephone networking

- IT planning, research, and coordination
- Design, development, and maintenance support of IT applications
- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging
- Geographic information systems (GIS) coordination
- Disaster recovery facilities for critical data processing applications
- IT training

ITSD services are enterprise and statewide in nature, and therefore agencies are required by state law to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

In FY 2006 ITSD managed the State Accounting, Budgeting, and Human Resources System (SABHRS) operational support unit, which was transferred to the Administrative Financial Services Division at the beginning of FY 2007 under a reorganization of the agency. Revenues and expenses for the unit are included for ITSD through FY 2006, but under the Administrative Financial Services Division from FY 2007.

Funding for the ITSD is primarily from charges to state agencies for mainframe and mid-tier computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate state communication function, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communications vendors.

Proprietary Revenues and Expenses

In FY 2006, ITSD had revenues of about \$37.2 million from fees paid by agencies statewide.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (32.1 percent), \$11.9 million
- State special revenue (24.6 percent), \$9.1 million
- Federal special revenue (22.7 percent), \$8.5 million
- Proprietary funds (9.9 percent), \$3.7 million
- All other funds (10.7 percent), \$4.0 million

In FY 2006, revenues funded personal services for 181.5 FTE and operating costs. With the transfer of the 35.00 FTE of the SABHRS Support Unit, personal services in FY 2007 fund 146.5 FTE. Personal services of \$11.3 million were 31 percent of expenses, with operating costs making up an additional \$24.9 million or 69 percent of expenses. As such, personal services are a fixed cost driver for the division operations. Other major service areas of the division have additional cost components that have large impacts on their operating costs. These significant cost drivers are listed below for the major service areas of ITSD:

- Desktop services rate - communications and software costs
- SABHRS administration - contracted services and software expenses
- Mainframe processing - software, supplies, depreciation, and debt service interest
- Telephone equipment and long-distance - communication and maintenance

Division management recommends a 30-day working capital balance to accommodate division billing and payment cycles. At the end of FY 2006, equipment and intangible assets accounted for roughly 46 percent of total assets of the fund.

In the 2007 biennium, state agencies were required to count network-attached devices and report that count to ITSD. This was a fairly manual process so it was difficult to do, not always accurate, and raised equity questions, such as whether

printers or other devices should be charged the same as desktops. Beginning in FY 2008, billing for desktop services will be done by user rather than device, except for certain non-State users. Each user accessing resources on SummitNet (state network) is required to have an enterprise directory logon identification account, and accounts cannot be shared by multiple people. Billing will be an automated process generated from user accounts in active directory. Certain user accounts will be exempted from billing such as administrative accounts (secondary account with higher privileges used by system administrators), resource accounts (shared resources such as central mailboxes, conference rooms, etc), and service accounts (for processes or applications such as backups).

Mainframe processing is expecting an approximate 30 percent decrease over the 2009 biennium. This is based on past trends and agency input. The trend to move away from the mainframe has been developing for several biennia, which has caused mainframe costs and rates going up due to losses of economies of scale.

Telephone equipment utilization is projected from base year volume. Long distance utilization is expected to remain at the 2007 biennial numbers.

Proprietary Rate Explanation

The rates for ITSD for the 2009 biennium are listed in Section R of HB 2.

Legislative approval of the rates implies approval of the funding changes listed below that total about \$3.6 million for the 2009 biennium, after deducting for the reorganization that moved the SABHRS Support Unit to the Administrative Financial Services Division in FY 2007.

The following adjustments increase costs:

- An increase of \$900,000 to fund statewide adjustments impacting the proprietary funded portion of the program
- An increase of \$92,000 to add 1.00 FTE to address demand increases in application development services to other agencies
- An increase of \$234,000 to add 2.00 FTE to support Windows, Unix, and Linux based systems due to the growth in the number of servers using these systems
- An increase of \$240,000 to add 2.00 FTE to work on developing one enterprise directory infrastructure
- An increase of \$256,000 to add 4.00 FTE to increase staffing of the state data center whereby eliminating shifts that are currently manned by a single operator
- An increase of \$1.9 million to procure and install equipment to support increased demand for electronic government services delivered 24 hours a day and 7 days a week. Equipment that would be added include servers to provide redundancy, disk storage devices to mirror between the primary data and an alternate site, an additional tape backup system to allow continuation of backup processes in the event of failure to the primary backup system, a secondary uninterruptible power (UPS) supply to provide redundancy for the primary UPS
- An increase of \$101,000 to add 1.00 FTE to develop, implement, and operate the interactive video systems throughout the state network
- An increase of \$223,000 to add 2.00 FTE to address workload issues associated with planning, policy, and standards development and administration of the Montana Information Technology Act
- An increase of \$256,000 to add 2.00 FTE to create a pilot program to provide remote network and desktop support out of Billings
- An increase of \$112,000 to add 1.00 FTE to work with agency IT managers, multiple IT support groups, building architects, and wiring vendors throughout the state to determine what the agencies needs are; develop cable plant designs to support current and future voice, video, and data applications; oversee the bid process for acquiring the services specified; certify the work was completed as requested; and approve the invoice for payment when the work has been completed and the plant certified

The following adjustments reduce costs:

- A reduction of \$11.3 million to move 35.00 FTE of the SABHRS Services Bureau to the Administrative Financial Services Division
- A reduction of \$374,000 to switch funding for 3.00 FTE existing geographic information system staff from proprietary funding to state special revenue in appropriated portion of the program
- A net reduction of \$322,000 to add 7.00 FTE, personal services, and operating expenses to hire existing vendor technicians of the equipment vendor for state telephone switches. The vendor restructured following its merger with another networks service provider and indicated plans to reduce the number of vendor technicians in the state.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	36.00	0.00	2.00	38.00	0.00	3.00	39.00	39.00
Personal Services	1,946,070	526,974	161,479	2,634,523	636,767	312,468	2,895,305	5,529,828
Operating Expenses	660,750	106,887	122,640	890,277	66,330	145,672	872,752	1,763,029
Total Costs	\$2,606,820	\$633,861	\$284,119	\$3,524,800	\$703,097	\$458,140	\$3,768,057	\$7,292,857
State/Other Special	2,606,820	633,861	284,119	3,524,800	703,097	458,140	3,768,057	7,292,857
Total Funds	\$2,606,820	\$633,861	\$284,119	\$3,524,800	\$703,097	\$458,140	\$3,768,057	\$7,292,857

Program Description

The Banking and Financial Institutions Division licenses, supervises, regulates, and examines a variety of financial institutions operating in and outside Montana such as:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Title loan companies
- Escrow companies
- Foreign capital depositories in accordance with Title 32, MCA
- Deferred deposit loan companies
- Mortgage brokers and loan originators

The purpose of the supervisory function is to investigate the methods of operation in order to determine whether these institutions are operating in a safe and sound fiscal manner. Supervision of regulated financial business is accomplished through on-site safety and soundness examinations conducted by division examiners. The division also provides a consumers complaint process to resolve matters with the regulated financial institutions.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and foreign capital depository charters; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute or otherwise to the department as the duties and powers relate to banking and to the regulation of foreign capital depositories.

Program Highlights

Department of Administration Banking and Financial Division Major Budget Highlights	
◆	Budget adjustments add \$2.1 million state special due primarily for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$920,000) • The addition of 3.00 FTE to address workload impacts of mortgage lender licensing (\$474,000) • A professional career ladder for bank examiners (\$312,500) • The statewide pay plan adjustments (\$262,600) • Rent increases for the Billings office (\$64,900)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Banking And Financial Di						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 2,606,820	100.0%	\$ 3,524,800	100.0%	\$ 3,768,057	100.0%
02077 Financial Institutions Div	2,606,820	100.0%	3,524,800	100.0%	3,768,057	100.0%
Grand Total	\$ 2,606,820	100.0%	\$ 3,524,800	100.0%	\$ 3,768,057	100.0%

The division is funded solely by state special revenue through assessments, application fees, and examination fees paid by the regulated financial institutions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				521,503					527,354	
Vacancy Savings				(98,704)					(98,937)	
Inflation/Deflation				13,507					14,357	
Fixed Costs				20,913					20,398	
Total Statewide Present Law Adjustments				\$457,219					\$463,172	
DP 311 - Allocate department indirect/administrative costs										
0.00	0	(2,974)	0	(2,974)	0.00	0	(2,436)	0	(2,436)	
DP 1401 - Fund professional career ladder program										
0.00	0	104,175	0	104,175	0.00	0	208,350	0	208,350	
DP 1404 - Rent increase for Billings office										
0.00	0	35,130	0	35,130	0.00	0	29,730	0	29,730	
DP 1405 - E-Licensing										
0.00	0	36,000	0	36,000	0.00	0	0	0	0	
DP 1406 - Lease van from Dept of Transportation Motor Pool										
0.00	0	5,385	0	5,385	0.00	0	5,385	0	5,385	
DP 6015 - State Motor Pool Rate Change										
0.00	0	(1,074)	0	(1,074)	0.00	0	(1,104)	0	(1,104)	
Total Other Present Law Adjustments										
0.00	\$0	\$176,642	\$0	\$176,642	0.00	\$0	\$239,925	\$0	\$239,925	
Grand Total All Present Law Adjustments				\$633,861					\$703,097	

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes a reduction of \$5,400 state special revenue to fund indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1401 - Fund professional career ladder program - The legislative budget includes an increase of \$312,525 state special revenue to fund the division's professional career ladder program.

DP 1404 - Rent increase for Billings office - The legislative budget includes an increase of \$64,860 state special revenue to fund movement of the Billings-based bank examiners to new office space.

DP 1405 - E-Licensing - The legislative budget includes an increase of \$36,000 state special revenue in FY 2008 to fund contracted services to provide electronic licensing of consumer finance company licensees. Through the on-line system complaint reporting, initial licensing application and licensing renewal forms would be available for completion on-line at the division website or for printable download.

DP 1406 - Lease van from Dept of Transportation Motor Pool - The legislative budget includes an increase of about \$10,800 state special revenue to replace one existing division-owned vehicle with one leased from the State Motor Pool.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1403 - License Mortgage Lenders										
14	2.00	0	202,885	0	202,885	3.00	0	271,137	0	271,137
DP 6013 - 2009 Biennium Pay Plan - HB 13										
14	0.00	0	78,478	0	78,478	0.00	0	184,136	0	184,136
DP 6014 - Retirement Employer Contributions - HB 131										
14	0.00	0	2,756	0	2,756	0.00	0	2,867	0	2,867
Total	2.00	\$0	\$284,119	\$0	\$284,119*	3.00	\$0	\$458,140	\$0	\$458,140*

DP 1403 - License Mortgage Lenders - The legislative budget includes an increase of \$474,000 state special revenue to fund personal services and operating costs to add 2.00 FTE in FY 2008 and 1.00 FTE additional in FY 2009 for licensing of mortgage lenders. Operating costs include \$119,000 for the development, implementation, and maintenance of an interactive database and electronic licensing.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	31.50	0.00	0.00	31.50	0.00	0.00	31.50	31.50
Personal Services	1,480,114	128,400	58,322	1,666,836	132,725	128,399	1,741,238	3,408,074
Operating Expenses	5,877,674	45,949	0	5,923,623	(49,510)	0	5,828,164	11,751,787
Equipment	42,256	0	0	42,256	0	0	42,256	84,512
Total Costs	\$7,400,044	\$174,349	\$58,322	\$7,632,715	\$83,215	\$128,399	\$7,611,658	\$15,244,373
Proprietary	7,400,044	174,349	58,322	7,632,715	83,215	128,399	7,611,658	15,244,373
Total Funds	\$7,400,044	\$174,349	\$58,322	\$7,632,715	\$83,215	\$128,399	\$7,611,658	\$15,244,373

Program Description

The Montana State Lottery designs and markets lottery games that allow players to purchase chances to win prizes. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. A five-member lottery commission, appointed by the Governor, sets policy and oversees program activities and procedures. The net revenue, after prizes, sales commissions and operating expenses, is deposited in the state general fund on a quarterly basis.

Program Highlights

Department of Administration Montana State Lottery Major Budget Highlights	
♦	Budget adjustments totaling \$444,300 were primarily for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$243,000) • Statewide pay plan adjustments (\$176,000) • Increased rent costs (\$19,000) • Increased employer contributions to retirement (\$11,000) • Allocation of indirect costs of other proprietary funded programs of the department (\$6,500 reduction)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Montana State Lottery						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
06000 Total Proprietary Funds	\$ 7,400,044	100.0%	\$ 7,632,715	100.0%	\$ 7,611,658	100.0%
06001 State Lottery Fund	7,400,044	100.0%	7,632,715	100.0%	7,611,658	100.0%
Grand Total	\$ 7,400,044	100.0%	\$ 7,632,715	100.0%	\$ 7,611,658	100.0%

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund and by law may only make expenditures against appropriations of the legislature.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					194,119					198,626
Vacancy Savings					(66,969)					(67,151)
Inflation/Deflation					3,175					3,503
Fixed Costs					38,702					(61,422)
Total Statewide Present Law Adjustments					\$169,027					\$73,556
DP 311 - Allocate department indirect/administrative costs	0.00	0	0	0	(3,493)*	0.00	0	0	0	(2,955)*
DP 1501 - Commission Per Diem	0.00	0	0	0	1,250*	0.00	0	0	0	1,250*
DP 1503 - Rent	0.00	0	0	0	7,600*	0.00	0	0	0	11,400*
DP 6015 - State Motor Pool Rate Change	0.00	0	0	0	(35)*	0.00	0	0	0	(36)*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$5,322*	0.00	\$0	\$0	\$0	\$9,659*
Grand Total All Present Law Adjustments					\$174,349*					\$83,215*

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes a reduction of nearly \$6,500 lottery proprietary fund to fund indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1501 - Commission Per Diem - The legislative budget includes an increase of \$2,500 lottery proprietary fund to fund per diem for five meetings of the lottery commission per year.

DP 1503 - Rent - The legislative budget includes an increase of \$19,000 lottery proprietary fund to fund rental contract specified increases for rent of the lottery building in Helena.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13	15	0.00	0	0	53,431*	0.00	0	0	0	122,235*
DP 6014 - Retirement Employer Contributions - HB 131	15	0.00	0	0	4,891*	0.00	0	0	0	6,164*
Total	0.00	\$0	\$0	\$0	\$58,322*	0.00	\$0	\$0	\$0	\$128,399*

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	3.00	3.00	0.00	3.00	3.00	3.00
Personal Services	0	0	154,159	154,159	0	160,671	160,671	314,830
Operating Expenses	32,241	9,108	238,061	279,410	10,874	229,880	272,995	552,405
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$32,241	\$9,108	\$392,220	\$433,569	\$10,874	\$390,551	\$433,666	\$867,235
General Fund	0	0	387,690	387,690	0	379,679	379,679	767,369
State/Other Special	32,241	9,108	4,530	45,879	10,874	10,872	53,987	99,866
Total Funds	\$32,241	\$9,108	\$392,220	\$433,569	\$10,874	\$390,551	\$433,666	\$867,235

Program Description

The Health Care and Benefits Division provides state employees, retirees, members of the legislature, and their dependents with group benefits in an efficient manner and at an affordable cost by administering a solvent, prudent benefits program. The division administers benefits plans including health, dental, prescription drug, life, long-term care, and vision coverage, flexible spending accounts, a sick leave fund, employee assistance services, health promotion, and a voluntary employee benefit health care expense trust. The division administers a lease and contract to provide daycare services for Helena area state employees. Finally, the division is responsible for the centralized oversight and management of workers' compensation related matters impacting the state as an employer.

Employee benefits are governed by 2-18-701 et seq., 2-18-801 et seq., 2-18-1101 et seq., 2-18-1301 et seq., and 33-2-712, MCA. The Montana Safety Culture Act as it applies to state government is found in 39-71-1501 et seq.

Program Highlights

Department of Administration Health Care and Benefits Division Major Budget Highlights	
♦	The legislature approved an increase of about \$0.9 million, almost all in general fund, compared to base budget costs of \$32,241 state special revenue
♦	New proposals fund 3.00 FTE to implement centralized management of workers' compensation costs to: <ul style="list-style-type: none"> • Coordinate and provide for effective safety and loss-prevention strategies • Develop and coordinate effective return-to-work programs • Negotiate with the Montana State Fund
♦	Proprietary funding increases from \$100.5 million in FY 2006 to \$124.3 million in FY 2009 <ul style="list-style-type: none"> • The legislature approved a pay plan (HB 13) that includes a \$33 per month increase in the employer contribution to health premiums in FY 2008 and an additional \$36 per month increase in FY 2009, bringing the total employer contribution to \$626 per month at the end of the 2009 biennium • General fund costs to support the pay plan increase in employer share of health insurance premiums adds about \$15.7 million over the biennium and state special revenue costs are estimated to be \$13.5 million over the biennium

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Health Care & Benefits D						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ -	-	\$ 387,690	89.4%	\$ 379,679	87.6%
01100 General Fund	-	-	387,690	89.4%	379,679	87.6%
02000 Total State Special Funds	32,241	100.0%	45,879	10.6%	53,987	12.4%
02518 State Daycare Program	32,241	100.0%	45,879	10.6%	53,987	12.4%
Grand Total	\$ 32,241	100.0%	\$ 433,569	100.0%	\$ 433,666	100.0%

The Health Care and Benefits Division (HCBD) is funded predominantly with proprietary funds, made up of the state employer contributions to health care costs, premium payments by plan participants, investment income, and assessments to manage flexible spending accounts. The proprietary funds are not shown in the main budget tables. In summary, proprietary funding for health care benefits in FY 2006 was about \$98.5 million. About \$81.0 million was paid by state funds, including the employer share and employee supplemental payments, from the following sources:

- o General fund - \$26.8 million
- o State special revenue - \$24.0 million
- o Federal funds - \$12.5 million
- o Other funding sources such as proprietary funds - \$10.4 million

Other proprietary income included:

- o Retiree payments, self payments, and COBRA payments – \$15.5 million
- o Investment income - \$1.3 million

The division appropriation also includes a small amount of state special revenue to pay for lease costs for a day care program for state employees in Helena. The division receives contributions from state agencies through an annual memorandum of understanding between the division administrator and the director of each state agency. The allocation of these contributions is based upon the number of Helena area employees at each agency. The division pays for a portion of the lease payments for day care facility, minor repairs necessary to operate the daycare, and a small part of the statewide allocated costs.

The division appropriation also funds a new proposal to implement centralized oversight and management of workers' compensation costs for the State of Montana, which is funded from general fund and includes 3.00 new FTE.

Figure 1 shows the components of total proprietary revenues for the state employee group benefit plan. Employer contributions is the largest component contributing more than double other payment sources. Retiree premium payments are the next largest source. Legislative appropriations in the 2005 biennium provided funds for employer contributions in excess of what some employees could use, thereby generating a state share excess. This action helped offset a potential shortfall in the state health plan. Finally, payments from persons who can elect to pay premiums and continue as part of the state plan after leaving state employment – COBRA participants – make up a small portion of premium payments.

Figure 1

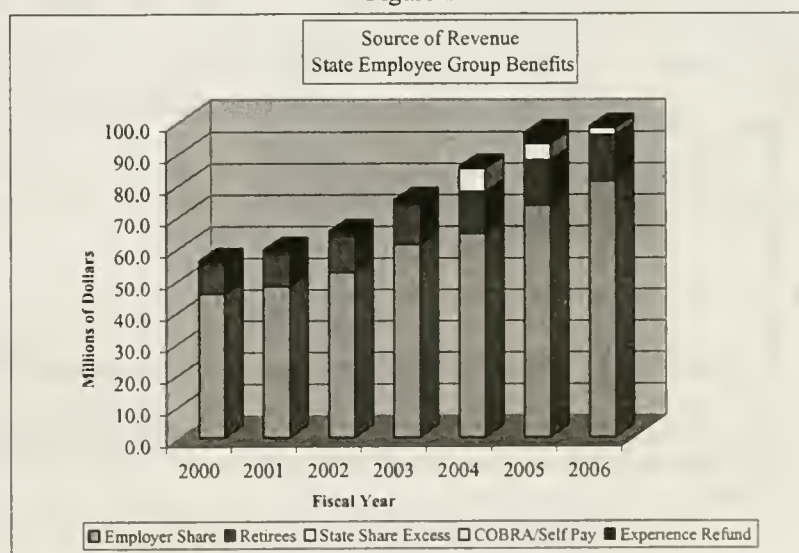


Figure 2

Historic and Projected Employer Contributions
for the State Employee Group Benefits Plan

Year	Employer Contrib.	Annual Change	Cost Trends*	
			Medical	Drugs
1996	\$220		n/a	n/a
1997	225	2.3%	n/a	n/a
1998	245	8.9%	9.0%	20.8%
1999	270	10.2%	8.9%	33.2%
2000	285	5.6%	8.7%	9.2%
2001	295	3.5%	2.1%	17.9%
2002	325	10.2%	13.4%	15.9%
2003	366	12.6%	4.4%	11.6%
2004	410	12.0%	-3.3%	-2.8%
2005	460	12.2%	9.9%	13.3%
2006	506	10.0%	10.0%	13.0%
2007	557	10.1%	10.0%	13.0%
2008	590	5.9%	10.0%	13.0%
2009	626	6.1%	10.0%	13.0%

*Cost trends for 2007 through 2009 are estimated.

Figure 2 shows historic rates for the employer contribution for employee insurance coverage, as well as historic and projected medical and pharmacy cost trends. HB 13 funds a \$33 increase in the monthly employer share in FY 2008 and another \$36 increase in FY 2009, for a total monthly contribution of \$626 in 2009. These rates, or employer share of premium costs, were negotiated with unions that represent state workers prior to the legislative session.

Figure 3 shows the fund source that has paid the employer contribution since FY 2001. General fund payments have ranged from a low of 38.4 percent in FY 2001 to a high of 39.7 percent in the following year. If general fund participation remains at the FY 2006 level (37.8 percent) during the 2009 biennium, estimated general fund costs to support the pay plan premium increases would be about \$15.7 million. Assuming state special revenue participation is the same percentage as in FY 2006 (33.0 percent), the premium increases would cost about \$13.5 million in state special revenue.

Figure 3

Fund Source Paying State Employer Group Health Share

Fund Source	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Percent of Total
General Fund	\$15,508,251	\$17,322,341	\$19,646,634	\$22,668,923	\$24,739,564	\$26,686,695	37.8%
State Special Rev.	14,233,429	14,412,732	16,433,562	19,819,203	22,468,736	24,172,290	34.2%
Federal Funds	6,604,240	7,279,736	8,546,020	10,308,256	11,799,115	12,063,605	17.1%
Other Funds	4,081,839	4,601,355	5,309,467	6,122,232	7,233,365	7,759,709	11.0%
Total	\$40,427,760	\$43,616,165	\$49,935,683	\$58,918,613	\$66,240,780	\$70,682,298	100.0%
Percent Change		7.9%	14.5%	18.0%	12.4%	6.7%	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Fixed Costs					(9)	(9)				
Total Statewide Present Law Adjustments					(\$9)	(\$9)				
DP 2108 - Daycare Program Lease										
0.00	0	9,117	0	9,117	0.00	0	10,883	0	10,883	
Total Other Present Law Adjustments										
0.00	\$0	\$9,117	\$0	\$9,117	0.00	\$0	\$10,883	\$0	\$10,883	
Grand Total All Present Law Adjustments					\$9,108	\$10,874				

DP 2108 - Daycare Program Lease - The legislature added an additional \$20,000 state special revenue to cover the costs of increased rent for the state daycare center. Total annual appropriations are \$45,879 in FY 2008 and \$53,987 in FY 2009.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2111 - Workers' Compensation Cost Containment - OTO										
21	3.00	387,690	0	0	387,690	3.00	379,679	0	0	379,679
DP 6013 - 2009 Biennium Pay Plan - HB 13										
21	0.00	0	4,530	0	4,530	0.00	0	10,872	0	10,872
Total	3.00	\$387,690	\$4,530	\$0	\$392,220*	3.00	\$379,679	\$10,872	\$0	\$390,551*

DP 2111 - Workers' Compensation Cost Containment - OTO - This bill appropriates \$0.7 million general fund over the biennium for centralized oversight of workers' compensation cost containment efforts and to continue funding 3.00 modified FTE added FY 2007 – a program manager, an early-return-to-work manager, and a safety program coordinator. In addition to the FTE, the funding includes \$200,000 to hire a third party administrator for the early-return-to-work program, \$17,000 for lease of office space, \$10,000 for loss prevention outreach campaigns and education, and \$8,325 for office set-ups for the new FTE and for support of activities related to report preparation and presentation to interim legislative committees. Services to limit losses and to facilitate early return-to-work programs for all of state government will be provided. The appropriation is made for the 2009 biennium only to allow legislative review of program performance prior to appropriating funds to continue the effort.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. Except for one goal - number 8 - it is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity. Goal number 8, as listed on the HCBF website, is adopted by this bill.

Justification: Workers' compensation premiums are one of the fastest growing costs in agency budgets. In FY 2001 the workers' compensation premiums for the state totaled \$6.6 million and are estimated to be \$17.4 million in FY 2007, a 164 percent increase over a five-year time period. The annual premium increases for agencies over this time period range from a low of 14.9 percent to a high of 30.1 percent. At this rate, workers' compensation premiums are doubling nearly every two biennia.

The major functions of this program will be to:

- Ensure compliance with the Montana Safety Culture Act (Title 39, Chapter 71, Part 15, MCA) for the State of Montana as an employer, working in cooperation with the Department of Labor and Industry
- Coordinate and provide for effective safety and loss-prevention strategies aimed at reducing or eliminating the incidence of work-related fatalities, illness, and injury in state employees
- Develop and coordinate effective return-to-work programs to permit injured workers to return to productive employment, reduce workers' compensation loss-time claims, and enhance productivity for state government
- Provide financial accountability and oversight for the workers' compensation expenditures for State of Montana government as an employer

Goal(s):

1. Reduce the incidence of occupational injury and illness among state employees;
2. Reduce the incidence of workers' compensation wage-loss claims for state government;
3. Reduce workers' compensation premiums for state agencies;
4. Enhance productivity within agencies by reducing the amount of time workers are separated from their jobs due to occupational injury or illness;
5. Improve the safety of the physical work environment in compliance with the Montana Safety Culture Act;
6. Provide a central data and financial management repository for workers' compensation information within state government;
7. Function as the central point for negotiation and management of workers' compensation coverage through the insurance carrier, Montana State Fund; and

8. Reduce the number of work-time loss injury claims among employees by 50 percent during the 2009 biennium.

Performance Criteria: Progress toward each of these goals would be measured in the following manner:

1. Timely completion of all milestones identified in the work plan to implement this program;
2. The experience 'mod-factor' for workers' compensation would be used as a measure of progress. The number of state agencies or entities achieving a mod-factor below 1.0 would be compared to the most recent annual data available. For agencies with mod factors below 1.0, the goal would be to sustain the mod-factor level. For agencies above 1.0, the goal would be to achieve a mod-factor of 1.0 or lower. The number of injuries and illnesses for each agency would also be measured and compared to the most recently completed base year as a measure of progress;
3. In accident year 2004 (the most recent year with 'developed' history) the state had 221 wage-loss claims. The goal would be to reduce this number to fewer than 200 during 2008 and 2009;
4. In addition to reducing the underlying claims which drive the premiums, the division would evaluate alternative rating methods and plan designs (e.g. changes in retention plan, deductible programs), review business processes impacting the rates as permitted by law (e.g. reserving of claims, case management of claims, etc.), and negotiate on the state's behalf for the most favorable workers' compensation premiums during the 2009 biennium. The goal would be a funding arrangement that provides proper incentives for the insurer (Montana State Fund), the employer and the employees to improve employee outcomes and reduce costs. Progress toward the goal would be measured by the rate of increase in workers' compensation premiums for state agencies compared to other Montana employers and the number of other processes and methods identified that would reduce costs; and
5. Early-return-to-work (ERTW) functions would be coordinated or put in place across state government during the biennium. The average time away from work due to injury would be measured with and without these services under programs provided by Montana State Fund or by a third-party administrator (funding requested). Where data on overtime or additional costs incurred by agencies as a result of the temporary loss of the worker can be determined, this measure would also be reported.
6. Other performance criteria include:
 - o Number of agencies that incorporate safety as a component of their employee and management performance structure (job description and performance appraisals)
 - o Number of ergonomic assessments completed
 - o Number of safety consultations and trainings completed
 - o Physical plant repairs/safety mitigations completed in response to injury reports (slips, trips and falls)
 - o Compliance of agencies with required components of the Montana Safety Culture Act
7. A website with access to agency level workers' compensation data and reports, links to Montana State Fund data and reports, links to the Department of Labor and Industry (Safety Bureau and Employment Relations Division) and to other resources would be developed to provide individual agency personnel with support and tools to assist in managing their workforce relative to workers' compensation and exchange information among state agencies for best practices in workforce management relative to workers' compensation issues.

Milestones: Significant milestones outlined in the work plan for this activity include:

- | | |
|---|--------------------|
| 1. Analysis of current State of MT employer workers' environment | April 2006 (C) |
| 2. Establishment of single account relationship with State Fund | May 2006 (C) |
| 3. FY07 WC rate renewal negotiations with State Fund | May 2006 (C) |
| 4. Statewide management introduction to program | September 2006 |
| 5. Resource, program and activity inventory | October 2006 |
| o Agencies | |
| o Montana State Fund | |
| o Risk Management and Tort Defense (DoA) | |
| o Dept of Labor and Industry (Safety and Employment Relations Division) | |
| 6. Hiring program FTE | |
| o Workers' Compensation Program Manager | September 2006 (C) |
| o Safety Program Coordinator | November 2006 |
| o Early-Return-to-Work Manager | December 2006 |
| 7. Based on results of inventory (4.) determine | December 2006 |

best practices for safety/ early-return-to-work	
8. Alternative State Fund funding/ rating arrangement discussion	April 2007
9. Safety program initiation by agency	April 2007
10. Development of incentive program (employee/agency)	March 2007
11. Rate renewal negotiations (FY08)	May 2007
12. Contracting for ERTW vendor	June 2007
13. Implementation of ERTW programs	September 2007
14. Ongoing implementation of safety program & marketing	June 2007
15. Management of State of Montana account with State Fund	Quarterly/annual rate renewal

(C) Indicates task is completed

FTE: Workers' Compensation Program Manager – 1.0 FTE

Safety Program Coordinator - 1.0 FTE -

Early-Return-to-Work Manager – 1.0 FTE -

Funding: The source of funding for this program is general fund. Currently there is no dedicated stream of revenue in state government related to workers' compensation which is not being used by agencies to provide programs already. Diverting dollars such as volume discounts, ERTW incentives, and dividends would impact agency programs which are intended to be an integral part of the state approach to containing costs. The costs of this program could potentially be recovered through the statewide cost allocation program (SWCAP), but that has not been confirmed with the federal negotiator.

The purpose of this program is to reduce the overall cost of workers' compensation for state agencies. At the FY 2007 premium level of \$17.4 million, reducing the rate of increase in premium growth by 2 percent would pay the full annual costs for the program in each year of the biennium. Any reduction beyond 2 percent would result in a net savings to state government which would be distributed proportionally across agency funding sources.

Obstacles: During the last 20 years there has not been a comprehensive effort to manage workers' compensation costs and impacts across state government. The biggest obstacle would be behavior changes in employees and managers to reduce the incidence of occupational illness and injury.

Risk: Without any action, it is likely that state agency workers' compensation premiums would continue to rise 15-30 percent annually. The current cost of workers' compensation premiums (\$17.4 million annually) is equivalent to 65 percent of the pay plan increase for FY 2006. At the current growth rate, workers' compensation premiums could cost more than funding a pay plan increase for the 2011 biennium.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

Language

"The department is appropriated up to \$500,000 state special revenue each year of the biennium to assist agencies in reducing workers' compensation injuries and costs. These funds may not be expended for activities that duplicate other agency expenditures or programs."

Proprietary Rates

Proprietary Program Description

The division manages two proprietary programs: employee benefits, which includes the state's health and other benefit insurance plans, and flexible spending accounts. Both accounts are enterprise funds.

Employee Benefits Program

The employee benefits program, fund 06559, is charged with providing state employees, retirees, members of the legislature, and their families with adequate medical, dental, prescription drug, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health, prescription drug, and dental plan. Life, long-term disability, and long-term care insurance are purchased from private sector vendors on a fully-insured basis. The program contracts with private companies to provide claims processing services, health screenings, and employee assistance program, flexible spending account administration and wellness plan administration.

The core service provided by the program is a medical (including prescription drug coverage), dental, and life insurance benefit package. Plan members have several options to choose from which include an indemnity plan and managed care plans administered by three different carriers (New West Health Services, Blue Cross and Blue Shield of Montana, and Peak Health Plan) through their provider networks.

Proprietary Rate Explanation

The employee benefits program is funded by premium payments. Statute ((2-18-703)(2), MCA) defines the state contribution, i.e. the employer share of premium toward health care and benefits coverage and is the rate determined by the legislature for this fund. As a component of employee compensation, the state contribution is a subject of collective bargaining.

The employer share is usually established by the legislature in the pay plan bill (HB 13 this session). While the employer share is fixed, the program has latitude to change premium amounts, co-payments and deductibles, and to make certain changes to covered benefits. Premium increases above the amount funded in the pay plan bill are paid by plan participants.

The objective for the state contribution is to provide sufficient dollars to underwrite affordable coverage for all participants in the plan including sufficient dollars to cover the "employee only" cost of providing a core medical, dental, and life insurance benefit. Historically, there have been a few dollars of the state contribution left over that employees can apply toward dependent coverage, additional life insurance, purchase of optional benefits, or to place into a medical or dependent care flexible spending account (FSA).

Income for the program in FY 2006 was about \$97.8 million. The state share portion of this income was \$70.0 million or 72 percent. Of the \$70.0 million, about \$1.4 million, or 2 percent, was due to additional state share appropriated by the legislature during the 2005 session to address the financial shortfall in the employee benefit plan fund during the previous biennia. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2006 were \$90.2 million. Restoration of statutory reserves and accumulation of excess reserves made up the difference. Projected income for the next biennium should match projected expenditures to maintain plan solvency.

Standard insurance industry analytical techniques are used to project plan costs, establish sufficient actuarial reserves and set premium amounts for the various plan options. In managing the plan the department has the opportunity to increase income by increasing participant premiums or to reduce expenses by reducing the amount of plan coverage. Plan coverage changes include increasing participant deductibles and co-payments, eliminating the payment for some services, negotiating lower costs for medical services, or looking for opportunities to reduce the cost of services provided using knowledge of the given health care environment.

The base program expenditures supported 11.87 FTE (down from 13.01 FTE during the 2007 biennium). Figure 4 shows the spending increases anticipated for the state employee health benefits plan for the 2009 biennium. Growth in health benefits costs is the biggest change by far adding an estimated \$40.2 million over the biennium. Other increases for office space, funding for 4.00 new FTE, and computer system maintenance and readiness add \$0.6 million.

Figure 4

Planned Additions to the Group Benefits
Operating Costs for the 2009 Biennium

Item	FY 2008	FY 2009
Insurance Claims	\$19,039,576	\$30,505,634
4.00 New FTE	225,979	213,045
Office Lease	55,315	55,315
Benefits Module Maintenance	27,500	27,500
SABHRS Readiness	<u>30,000</u>	<u>0</u>
Total Planned Increases	\$19,378,370	\$30,801,494
FY 2006 Base Expenditures	\$94,645,032	\$94,645,032
Percent Change from Base	20.5%	32.5%

The additional FTE include 1.00 FTE for an in-house claims auditor to ensure accurate and appropriate payment of claims made by the benefit plan and members, 1.00 FTE for in-house case management services (resulting in a substantial savings over contracting this function), 1.00 FTE for a document technician to support the maintenance and distribution of legal plan documents and members communication materials, and 1.00 FTE to for an information technology manager to support the technology interface needs of the division with internal (SABHRS) and external systems.

Alternate Sources: As an alternative to providing a self-insured health plan, the state could purchase an insured plan from the private sector. Historical studies of comparable insurance plans have shown that this alternative would be more expensive. The state has operated a statewide plan since 1979 and a self-insured plan since the early 1980s.

Customers Served: In excess of 35,000 persons are covered by the benefit plans in the following categories; 12,200 regular full-time and part-time executive, legislative, and judicial branch employees; 3,300 retirees; 100 COBRA participants; and 19,400 dependents.

Flexible Spending Account Program

The state offers its employees the opportunity to participation in a medical care and a dependent care flexible spending account, which allows them to pay for qualified expenses with pre-tax dollars. The division contracts with a account administrator whose fees are based on the number of employees participating in the plan. Employees designate a portion of their paycheck to be directed to the flexible spending accounts and are charged a monthly services fee, which is also collected through the payroll process. As participants in the plan incur medical or dependent care costs that are not reimbursed to them through other sources, they file a claim with the administrator who in turn reimburses the participant with funds from the flexible spending accounts maintained by the state, up to the employee's annual election amount. Amounts that are not claimed are forfeited by the employee, and are retained by the fund to help cover operating costs.

Rate Explanation

The program had revenues of \$5.2 million in FY 2006. Of these revenues, \$5.1 million was reimbursed to plan participants. The fund had a surplus of \$154,382 at the end of FY 2006. The department projects that the fund will incur a lost of \$106,297 in FY 2008 and a surplus of \$114,058 in FY 2009.

The rate charged to participants in the flexible spending account plan is established through the competitive procurement process and contract negotiations with the successful bidder.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	15.53	(0.25)	0.00	15.28	(0.25)	0.00	15.28	15.28
Personal Services	670,041	159,913	26,806	856,760	162,358	61,554	893,953	1,750,713
Operating Expenses	182,056	12,528	0	194,584	16,347	0	198,403	392,987
Total Costs	\$852,097	\$172,441	\$26,806	\$1,051,344	\$178,705	\$61,554	\$1,092,356	\$2,143,700
General Fund	852,097	172,441	26,806	1,051,344	178,705	61,554	1,092,356	2,143,700
Total Funds	\$852,097	\$172,441	\$26,806	\$1,051,344	\$178,705	\$61,554	\$1,092,356	\$2,143,700

Program Description

The State Personnel Division provides state agencies with a variety of human resource management programs including training, position classification and salary administration, employee relations, and assistance with compliance with state and federal employment law. The state general fund is reimbursed for administrative costs of the State Personnel Division through the statewide cost allocation plan. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers eligibility for the various benefit plans including health, life, long-term care, dental, and vision insurance, accidental death and dismemberment, a sick leave fund, employee incentive awards, and flexible spending accounts. The division also is the process owner of the SABHRS HR enterprise system and through its Central Payroll Bureau prepares, maintains, and distributes payroll for all state employees.

Program Highlights

Department of Administration State Personnel Division Major Budget Highlights	
◆ Besides a reduction to transfer 0.25 FTE to another program of the department, other key adjustments were for:	
• Statewide present law adjustments (\$379,000)	
• Statewide pay plan adjustments (\$86,000)	
• Allocations of indirect costs for payments to proprietary programs of the department (\$15,000)	

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table State Personnel Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 852,097	100.0%	\$ 1,051,344	100.0%	\$ 1,092,356	100.0%
01100 General Fund	852,097	100.0%	1,051,344	100.0%	1,092,356	100.0%
Grand Total	\$ 852,097	100.0%	\$ 1,051,344	100.0%	\$ 1,092,356	100.0%

Funding for general personnel administration functions is from the general fund. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. Payroll is funded with proprietary fees

charged to state agencies for payroll processing services. The proprietary funded portions of the division are not shown on the main budget tables, but are discussed in the proprietary rates at the end of the section for the division.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					216,798					219,365
Vacancy Savings					(35,474)					(35,575)
Inflation/Deflation					1,295					1,800
Fixed Costs					3,844					6,934
Total Statewide Present Law Adjustments					\$186,463	\$192,524				
DP 311 - Allocate department indirect/administrative costs										
	0.00	7,415	0	0	7,415	0.00	7,640	0	0	7,640
DP 2305 - Transfer 0.25 FTE Attorney to Labor Relations										
	(0.25)	(21,411)	0	0	(21,411)	(0.25)	(21,432)	0	0	(21,432)
DP 6015 - State Motor Pool Rate Change										
	0.00	(26)	0	0	(26)	0.00	(27)	0	0	(27)
Total Other Present Law Adjustments										
	(0.25)	(\$14,022)	\$0	\$0	(\$14,022)	(0.25)	(\$13,819)	\$0	\$0	(\$13,819)
Grand Total All Present Law Adjustments					\$172,441	\$178,705				

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$15,100 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2305 - Transfer 0.25 FTE Attorney to Labor Relations - The legislative budget includes a reduction of about \$42,800 general fund to transfer 0.25 FTE attorney position from the State Personnel Division to the Office of Labor Relations in the Administration and Financial Services Division.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
23	0.00	25,816	0	0	25,816	0.00	60,507	0	0	60,507
DP 6014 - Retirement Employer Contributions - HB 131										
23	0.00	990	0	0	990	0.00	1,047	0	0	1,047
Total	0.00	\$26,806	\$0	\$0	\$26,806*	0.00	\$61,554	\$0	\$0	\$61,554*

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The State Personnel Division manages two proprietary programs: Professional Development Center (intergovernmental training) and Payroll (payroll and benefits eligibility processing).

Intergovernmental Training (Fund 06525)

Proprietary Program Description

The intergovernmental training fund supports the operation of the Professional Development Center (PDC). The PDC provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. The use of PDC training is not mandatory for agencies that could choose from several available alternatives, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions.

Proprietary Revenues and Expenses

In FY 2006, the Professional Development Center had revenues of \$259,170 from fees paid by agencies statewide. The funding for customer payments to the PDC could not be determined because the accounting code used to record payments to the PDC for training is also used to record a variety of other training costs.

In FY 2006, revenues funded personal services for 3.08 FTE and operating costs. Personal services of nearly \$169,600 were 62 percent of expenses, with operating costs making up the remaining \$105,800 or 38 percent of PDC expenses. Of the operating costs, \$30,300 fund fixed costs or 11 percent of the annual expenses.

Proprietary Rate Explanation

The rates for the Professional Development Center are listed in Section R of HB 2 of the special session under the intergovernmental training heading of the division.

Payroll (Fund 06563)

Proprietary Program Description

The payroll fund supports the statewide payroll and human resources (HR) system to process, distribute, report, and account for payroll, and associated withholding and deductions for more than 13,000 state employees in three branches of Montana state government and processing of benefit eligibility elections for 35,000 active, retired, and terminated employees and covered dependents. The Payroll and Benefits Operations Bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including benefits, classification, pay, policy, and training.

Proprietary Revenues and Expenses

In FY 2006, the bureau had revenues of roughly \$453,100 from payroll processing fees paid by state agencies.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (39.2 percent), \$177,800
- State special revenue (35.7 percent), \$161,700

- Federal special revenue (12.7 percent), \$57,500
- Proprietary funds (11.1 percent), \$50,200
- All other funds (1.3 percent), \$5,900

In FY 2006, revenues funded personal services for 12.89 FTE and operating costs. Personal services of \$630,100 were 72 percent of expenses, with operating costs making up the remaining \$243,700 or 28 percent of bureau expenses.

Proprietary Rate Explanation

The rates for the payroll fund are listed in Section R of HB 2. Implied in the rates are the following funding changes:

- An increase of about \$182,600 to fund statewide present law adjustments
- An increase of \$28,400 in FY 2008 to contract directly with the PeopleSoft/Oracle Corporation for specific, high-level, on-site payroll, human resources, and benefits systems training
- An increase of about \$12,500 to fund allocation changes and increases in indirect administrative cost payments made to other proprietary programs of the department

Program Description

The Risk Management and Tort Defense Division insures state agencies against risk of loss for property, vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on various leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

Program Highlights

Department of Administration Risk Management & Tort Defense Major Budget Highlights	
♦	Premiums charged for insurance decrease by about \$1.6 million per year from the FY 2006 level due primarily to claims experience

Funding

The Risk Management and Tort Defense Division is funded entirely with proprietary funds financed with revenues from premium payments from state agencies.

Proprietary Rates**Proprietary Program Description**

The Risk Management and Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that are above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-insures general liability, vehicle liability, professional liability, errors and omissions, inland marine, leased/loaned vehicles, and foster care exposures. The Department of Administration accumulates a self-insurance fund to pay for losses, purchase insurance, and fund operations.

The division provides risk management/safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the state in tort liability claims and coordinates the adjudication and settlement of claims involving damage to state property.

Proprietary Revenues and Expenses

In FY 2006, the Risk Management and Tort Defense Division had revenues of roughly \$13.9 million from premiums paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (18.0 percent), \$2.5 million
- State special revenue (22.1 percent), \$3.1 million
- Federal special revenue (6.7 percent), \$0.9 million
- Proprietary funds (14.7 percent), \$2.0 million
- All other funds (38.4 percent), \$5.3 million

In FY 2006, revenues funded personal services for 16.00 FTE, operating costs, and insurance claims. Personal services of \$0.8 million were 15.3 percent of expenses and operating costs of \$1.9 million were 74.8 percent of expenses.

Each fiscal year the division contracts with an actuarial consulting firm to project the state's estimated unpaid loss and loss adjustment expenses. The actuarial evaluation provides an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. Actuarial projections of unpaid losses as of

June 30, 2006, are \$16.2 million. Actuarial projected future loss costs for FY 2008 and FY 2009 determined the ultimate projected loss for those fiscal years to be \$6.0 million and \$6.4 million respectively. Since claims and lawsuits are filed at different times and are typically paid out over as many as 10 years, it is not probable that all claims would come due at once.

The actual loss amount for FY 2006 was lower than previously estimated by the actuary, so a balance sheet adjustment was made to lower the liability for estimated claims payable. The accounting transaction used to make the adjustment involved booking a negative expense of \$4.1 million, which explains the drop of other operating expenses in FY 2006 and subsequent increase in FY 2007.

Proprietary Rate Explanation

The rates for the Risk Management and Tort Defense Division are listed in Section R of HB 2 of the special session and reflect the following premium changes by insurance type.

Automobile Comprehensive and Collision

The fund insures approximately 9,200 vehicles. The automobile comprehensive and collision premium rates in this bill are \$1,146,000 for each year of the 2009 biennium. The 2009 biennium rates represent reductions of \$458,213 for each year with respect to the FY 2006 rate, or a 28.6 percent annual reduction. Premiums for automobile insurance are being reduced because of the downward trend of claims, loss expenses, and actuarial estimates of claims payable that have been on the decline since FY 2003. The rates are based on an actuarial study.

Aviation

The fund insures 26 aircraft (including helicopters) that are owned and operated by state agencies and used for various functions such as law enforcement, game management, fire fighting, transportation of state employees, and aerial topography. The fund also insures 15 state-owned airports, including the West Yellowstone Airport with its 3,000 annual flights.

The aviation premium rates are \$167,807 in FY 2008 and \$185,931 in FY 2009 and represent a decrease of \$6,207 in FY 2008 and an increase of \$11,917 in FY 2009 from the FY 2006 rate. The FY 2008 rate declines due to the low number and amount of historical aviation losses, but the FY 2009 rate increases primarily because of the high anticipated cost of catastrophic commercial insurance in FY 2009. An actuarial study was not conducted for aviation insurance due to the small number of claims and variability in costs.

General Liability

General liability insurance is the largest area of coverage for the state. General liability covers state agency operations for prisons, hospitals, institutions, highway maintenance and design, law enforcement, wildlife resource management, supervision of foster children, and many other functions.

The number of liability claims and associated costs continues to decline despite an increase in exposure. It is because of the decline in the number of claims, loss expenses, and actuarial estimates of claims payable that are driving reductions in the general liability insurance premium rates to \$7,124,000 in each year of the 2009 biennium. The 2009 biennium rates in the bill represent reductions of \$79,492 for each year with respect to the FY 2006 rate, or a 1.1 percent annual reduction.

Property

The property insurance premium funds insurance for 4,219 properties owned or leased by state agencies and universities. The estimated current replacement cost for the properties is more than \$3.0 billion. In addition, the state maintains and operates 545 boilers and is responsible for fine art whose estimated market value exceeds \$200.0 million.

The premium rates for property insurance are \$4,443,591 for each year of the 2009 biennium, which represent annual reductions of \$506,300 from the FY 2006 premium rate, or 10.2 percent annual reductions. The reductions are due to a

decline in reported exposure for the 2009 biennium. Reduced exposure is due to recent loss history where the state self insurance program has covered losses because they have fallen below the \$250,000 per occurrence level at which commercial catastrophic insurance applies. Lower commercial experience has resulted in lower commercial coverage rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	6.50	0.00	1.00	7.50	0.00	1.00	7.50	7.50
Personal Services	257,249	25,766	58,584	341,599	26,519	72,650	356,418	698,017
Operating Expenses	54,069	7,668	0	61,737	9,327	0	63,396	125,133
Local Assistance	811	0	0	811	0	0	811	1,622
Total Costs	\$312,129	\$33,434	\$58,584	\$404,147	\$35,846	\$72,650	\$420,625	\$824,772
General Fund	312,129	33,434	58,584	404,147	35,846	72,650	420,625	824,772
Total Funds	\$312,129	\$33,434	\$58,584	\$404,147	\$35,846	\$72,650	\$420,625	\$824,772

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Program Highlights

Department of Administration State Tax Appeal Board Major Budget Highlights	
♦	Budget adjustments increase general fund by \$200,500 for the two years of the biennium over the \$312,000 base due primarily to: <ul style="list-style-type: none"> • Add 1.00 FTE administrative support (\$95,700) • Fund statewide present law (\$65,500) • Fund pay plan adjustments (\$34,900)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table State Tax Appeal Board						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 312,129	100.0%	\$ 404,147	100.0%	\$ 420,625	100.0%
01100 General Fund	312,129	100.0%	404,147	100.0%	420,625	100.0%
Grand Total	\$ 312,129	100.0%	\$ 404,147	100.0%	\$ 420,625	100.0%

The board is funded entirely by the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,558					38,343
Vacancy Savings					(11,792)					(11,824)
Inflation/Deflation					226					320
Fixed Costs					5,596					7,070
Total Statewide Present Law Adjustments					\$31,588					\$33,909
DP 311 - Allocate department indirect/administrative costs										
	0.00	1,846	0	0	1,846	0.00	1,937	0	0	1,937
Total Other Present Law Adjustments										
	0.00	\$1,846	\$0	\$0	\$1,846	0.00	\$1,937	\$0	\$0	\$1,937
Grand Total All Present Law Adjustments					\$33,434					\$35,846

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$3,800 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3701 - STAB 1.0 FTE										
37	1.00	47,823	0	0	47,823	1.00	47,864	0	0	47,864
DP 6013 - 2009 Biennium Pay Plan - HB 13										
37	0.00	10,428	0	0	10,428	0.00	24,433	0	0	24,433
DP 6014 - Retirement Employer Contributions - HB 131										
37	0.00	333	0	0	333	0.00	353	0	0	353
Total	1.00	\$58,584	\$0	\$0	\$58,584*	1.00	\$72,650	\$0	\$0	\$72,650*

DP 3701 - STAB 1.0 FTE - The legislative budget includes an increase of \$95,700 general fund to fund personal services to add 1.00 FTE administrative specialist.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	2.50	0.00	0.00	2.50	0.00	0.00	2.50	2.50
Personal Services	114,484	35,596	4,571	154,651	36,612	10,907	162,003	316,654
Operating Expenses	38,974	3,025	0	41,999	3,083	0	42,057	84,056
Total Costs	\$153,458	\$38,621	\$4,571	\$196,650	\$39,695	\$10,907	\$204,060	\$400,710
General Fund	69,041	6,591	2,235	77,867	7,466	5,405	81,912	159,779
State/Other Special	84,417	32,030	2,336	118,783	32,229	5,502	122,148	240,931
Total Funds	\$153,458	\$38,621	\$4,571	\$196,650	\$39,695	\$10,907	\$204,060	\$400,710

Agency Description

The Montana Consensus Council is a single program agency attached to the Department of Administration for administrative purposes. The Montana Consensus Council is a public organization that helps citizens and officials build agreement and resolve disputes on natural resource and other public policy issues.

Agency Highlights

Montana Consensus Council	
Major Budget Highlights	
♦	Budget adjustments increased total funds by \$93,794 for the two years of the biennium on top of a base of \$153,458 due primarily to:
•	Statewide present law adjustments (\$78,375)
•	Adding funding for the state pay plan authorized in HB 13 of the regular session (\$15,119)

Summary of Legislative Action

The 2009 biennium legislative budget for total funds is \$81,400 less than the 2007 biennium and includes funding for HB 2 of the special session and HB 13 and HB 131 of the regular session. HB 13 funds the pay plan increases for the 2009 biennium and accounts for \$15,119 of the total fund increase and \$7,453 of the general fund budget for the biennium. HB 131 funds increased employer contributions to retirement systems and has a \$359 total fund impact for the biennium. The primary factor for the reduction from the 2007 biennium to the 2009 biennium was the loss of a \$75,000 annual grant that had previously funded council operations, but is no longer available. The only adjustments to the council's 2009 biennium budget were:

- A funding increase for the statewide pay plan
- A funding increase for employer contributions to retirement systems
- A funding reduction for payments to the State Motor Pool

Other Legislation

House Bill 13 - HB 13 funds the statewide employee pay plan for the 2009 biennium. HB 13 requires that state employees be placed on the broadband pay plan, provided an annual base salary increase, an additional longevity increase for employees who have completed 10 years of uninterrupted service, and employee health insurance employer contribution increases. HB 13 includes appropriations for the 2009 biennium costs of the pay plan. The HB 13 amounts are included in the tables of this report.

House Bill 131 - HB 131 increases the employer contribution rates for certain public employee retirement plans. HB 131 includes appropriations for the 2009 biennium costs of the contribution increases. The HB 131 amounts are included in the tables of this report.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	2.50	2.50	2.50	0.00	2.50	2.50	0.00	
Personal Services	114,484	150,080	154,651	4,571	151,096	162,003	10,907	15,478
Operating Expenses	38,974	42,028	41,999	(29)	42,087	42,057	(30)	(59)
Total Costs	\$153,458	\$192,108	\$196,650	\$4,542	\$193,183	\$204,060	\$10,877	\$15,419
General Fund	69,041	75,632	77,867	2,235	76,507	81,912	5,405	7,640
State/Other Special	84,417	116,476	118,783	2,307	116,676	122,148	5,472	7,779
Total Funds	\$153,458	\$192,108	\$196,650	\$4,542	\$193,183	\$204,060	\$10,877	\$15,419

The legislative budget is \$20,419 more in total funds than the executive budget. The difference is the result of a reduction to funding for State Motor Pool costs and the addition of funding for the statewide pay plan and increased employer contribution rates to retirement systems.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature.

Program Funding Table Mt Consensus Council						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 69,041	45.0%	\$ 77,867	39.6%	\$ 81,912	40.1%
01100 General Fund	69,041	45.0%	77,867	39.6%	81,912	40.1%
02000 Total State Special Funds	84,417	55.0%	118,783	60.4%	122,148	59.9%
02275 Montana Consensus Council	84,417	55.0%	118,783	60.4%	122,148	59.9%
Grand Total	\$ 153,458	100.0%	\$ 196,650	100.0%	\$ 204,060	100.0%

Services of the Montana Consensus Council are funded with general fund and state special revenue funds. State special revenue is derived from fees charged for services and other private grants or donations. The executive director position and costs to report on goals and objectives are funded with general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					35,596					36,612
Inflation/Deflation					351					375
Fixed Costs					2,703					2,738
Total Statewide Present Law Adjustments					\$38,650					\$39,725
DP 6015 - State Motor Pool Rate Change	0.00	0	(29)	0	(29)	0.00	0	(30)	0	(30)
Total Other Present Law Adjustments	0.00	\$0	(\$29)	\$0	(\$29)	0.00	\$0	(\$30)	\$0	(\$30)
Grand Total All Present Law Adjustments					\$38,621					\$39,695

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Agency's Goals and Objectives Reporting										
01	0.00	0	0	0	0	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	2,144	2,252	0	4,396	0.00	5,309	5,414	0	10,723
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	91	84	0	175	0.00	96	88	0	184
Total	0.00	\$2,235	\$2,336	\$0	\$4,571	0.00	\$5,405	\$5,502	\$0	\$10,907

DP 101 - Agency's Goals and Objectives Reporting - The legislative budget included an increase of \$5,000 general fund to provide reporting to the Legislative Finance Committee on progress toward attainment of council's goals and objectives. The Governor subsequently vetoed the funding and the associated language that required and defined the reporting requirements.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Language

The legislative budget included the following language for the council, but the Governor subsequently vetoed the language and associated line-item appropriation:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objective presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's template. The report must address the following:

- (1) progress toward the goals; and
- (2) attainment of measurable objectives.

If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void."

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	90.25	102.25	0.00	192.50	102.25	0.00	192.50	192.50
Personal Services	320,686	10,569,442	315,264	11,205,392	10,582,421	760,318	11,663,425	22,868,817
Operating Expenses	332,105	7,912,739	291,600	8,536,444	7,803,259	291,600	8,426,964	16,963,408
Equipment	60,653	0	0	60,653	0	0	60,653	121,306
Total Costs	\$713,444	\$18,482,181	\$606,864	\$19,802,489	\$18,385,680	\$1,051,918	\$20,151,042	\$39,953,531
General Fund	713,444	18,482,181	531,864	19,727,489	18,385,680	976,918	20,076,042	39,803,531
State/Other Special	0	0	75,000	75,000	0	75,000	75,000	150,000
Total Funds	\$713,444	\$18,482,181	\$606,864	\$19,802,489	\$18,385,680	\$1,051,918	\$20,151,042	\$39,953,531

Agency Description

The Office of Public Defender (OPD) administers the statewide public defender system and delivers public defender services in all courts in Montana for criminal and certain civil cases for an individual who is determined to be indigent per statutory provisions and is accused of an offense that could result in the person's loss of life or liberty if convicted. The statewide public defender system is supervised by the Public Defender Commission, an eleven member commission appointed by the Governor. The office is administratively attached to the Department of Administration with exception for some functions as provide in statute (2-15-1028, MCA). The statewide public defender system also includes appellate defender functions that were previously the responsibility of a separate state agency.

Agency Highlights

Office of State Public Defender	
Major Budget Highlights	
♦	The base budget for the agency was minimal because FY 2006 was a transition year. OPD began providing services July 1, 2006, and anticipates that FY 2008 will be the first year of full implementation of the new system
♦	A supplemental appropriation of about \$5.4 million was provided by the legislature for the 2007 biennium since the FY 2007 costs of the new system exceeded the level anticipated by the 2005 Legislature
♦	Funding for each year of the 2009 biennium (not including pay plan) is 102.25 FTE and about \$5.6 million greater than the legislative appropriation for FY 2007, which reflects implementation of the system as outlined in the strategic plan adopted by the Public Defender Commission and anticipated caseload increases
♦	Funding of \$9.5 million was removed from the judicial branch, District Court Operations Program to reflect the transfer of responsibility for public defender costs to the OPD

Summary of Legislative Action

The legislature provided a 2009 biennium budget (not including pay plan) that is 102.25 FTE and more than \$19.0 million per year greater than the FY 2006 base budget (which was minimal), including:

- Statewide present law adjustments of about \$5.4 million (\$10.8 million for the biennium), which reflects in part the annualization of positions that were not filled for the entire base budget year
- A present law decision package to annualize the cost of the new public defender system, \$10.6 million (\$21.3 million for the biennium)
- A present law decision package to annualize the costs of the appellate defender function, \$375,000 (\$750,000 for the biennium)
- Increased funding for anticipated increases in caseload, \$1.5 million (\$3.0 million for the biennium)
- A restricted, biennial, one-time-only appropriation for caseload transition from the old to new systems, \$500,000 (\$1.0 million for the biennium)
- Increased funding related to legislation passed during the 2007 regular session that is anticipated to increase caseload and costs within the public defender system, \$216,600 (\$433,200 for the biennium)

The legislature also appropriated \$75,000 state special revenue a year (\$150,000 for the biennium) from donations or payments for public defender costs in the event revenue is collected.

Funding

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget				
Agency Program	General Fund	State Spec.	Grand Total	Total %
01 Public Defender Office	\$ 38,606,783	\$ 150,000	\$ 38,756,783	97.00%
02 Appellate Defender Office	1,196,748	-	1,196,748	3.00%
Grand Total	\$ 39,803,531	\$ 150,000	\$ 39,953,531	100.00%

The public defender system is funded primarily with general fund. A small amount of state special revenue (\$75,000 per year) from donations or payments for public defender costs is anticipated in the 2009 biennium.

Executive Budget Comparison

The following table compares the legislative budget for the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	90.25	192.50	192.50	0.00	192.50	192.50	0.00	
Personal Services	320,686	10,890,128	11,205,392	315,264	10,903,107	11,663,425	760,318	1,075,582
Operating Expenses	332,105	8,319,844	8,536,444	216,600	8,210,364	8,426,964	216,600	433,200
Equipment	60,653	60,653	60,653	0	60,653	60,653	0	0
Total Costs	\$713,444	\$19,270,625	\$19,802,489	\$531,864	\$19,174,124	\$20,151,042	\$976,918	\$1,508,782
General Fund	713,444	19,195,625	19,727,489	531,864	19,099,124	20,076,042	976,918	1,508,782
State/Other Special	0	75,000	75,000	0	75,000	75,000	0	0
Total Funds	\$713,444	\$19,270,625	\$19,802,489	\$531,864	\$19,174,124	\$20,151,042	\$976,918	\$1,508,782

The legislature provided funding that is \$1.5 million general fund greater than the executive request due to funding for the 2009 biennium pay plan and that was provided to support anticipated caseload increases related to legislation that was passed during the 2007 regular session. Legislation that is anticipated to increase caseloads and the funding provided by the legislature were:

- o \$45,600 a year for SB 547, which revises laws related to sexual offenders
- o \$141,000 a year for SB 104, which extends the statute of limitation for certain sex crimes
- o \$30,000 a year for HB 629, which allows for mediation in certain criminal proceedings

Other Legislation

Unless otherwise noted the legislation listed below is from the 2007 regular session.

House Bill 162 – This bill revises the requirement for appointment of counsel for a developmentally disabled individual. Rather than counsel being appointed at the request of the respondent, respondent's parents or guardian, or the responsible person, the court is now directed to order the Office of Public Defender to assign counsel for the respondent.

House Bill 629 – This bill provides that mediation may be used in certain criminal proceedings as an alternative dispute resolution method. The Office of Public Defender received \$30,000 general fund a year to fund potential caseload increases related to this statutory change.

Senate Bill 85 – This bill revises the crime of endangering the welfare of a child to include methamphetamine related child endangerment. The Office of Public Defender anticipates that this may result in individuals receiving public defender services being charged with additional crimes. The agency did not receive additional funding to support workload changes that may result due to the passage of this legislation.

Senate Bill 104 – This bill extends the statute of limitations for certain sex offenses. The agency received general fund of \$141,000 a year to support potential caseload increases related to this statutory change.

Senate Bill 124 - This bill provides that the Office of Court Administrator or Office of Public Defender not be charged for the examination, care, custody, and treatment of a criminal defendant for which the legislature has made a general fund appropriation. For example, the Office of Public Defender will no longer be charged for examinations performed at Montana State Hospital because the hospital is supported by a general fund appropriation.

Senate Bill 164 – This bill clarifies the distinction between the powers and duties of assigned counsel and a guardian ad litem in proceedings to adjudicate incapacity and to protect property of minors and persons under disability. This legislation strikes language previously included in statute that states assigned counsel has the powers and duties of a guardian ad litem. Thus, OPD staff assigned as counsel will no longer have the powers and duties of a guardian ad litem, in addition to their duties as counsel for the individual.

Senate Bill 348 – This bill eliminates the requirement that an attorney be appointed for a guardian ad litem in a child abuse and neglect case. Thus, the OPD will no longer be required to appoint an attorney in each of these cases, but may appoint an attorney if directed to do so by the court.

Senate Bill 379 – This bill clarifies when a public defender may be appointed as counsel in post conviction proceedings. Among other changes, this bill clarifies that the petitioner or appellant must be eligible for the appointment of counsel. This legislation removes the potential that the OPD could be required to appoint an attorney in situations where the individual is not eligible for a public defender.

Senate Bill 547 – This bill revises laws on sentencing, registration and treatment of sexual offenders. This legislation is sometimes referred to as "Montana's version of Jessica's law". Among the provisions of this bill is a mandatory minimum sentence of 25 years for individuals convicted of certain sexual offenses. The Office of Public Defender received \$45,600 a year of general fund to support potential caseload increases related to the provisions of this legislation.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	87.25	97.25	0.00	184.50	97.25	0.00	184.50	184.50
Personal Services	320,686	10,092,071	301,518	10,714,275	10,104,513	727,170	11,152,369	21,866,644
Operating Expenses	332,105	7,815,710	291,600	8,439,415	7,705,713	291,600	8,329,418	16,768,833
Equipment	60,653	0	0	60,653	0	0	60,653	121,306
Total Costs	\$713,444	\$17,907,781	\$593,118	\$19,214,343	\$17,810,226	\$1,018,770	\$19,542,440	\$38,756,783
General Fund	713,444	17,907,781	518,118	19,139,343	17,810,226	943,770	19,467,440	38,606,783
State/Other Special	0	0	75,000	75,000	0	75,000	75,000	150,000
Total Funds	\$713,444	\$17,907,781	\$593,118	\$19,214,343	\$17,810,226	\$1,018,770	\$19,542,440	\$38,756,783

Program Description

The Public Defender Office is responsible for management and provision of public defender (legal) services for individuals who are indigent (as defined in statute). A statewide system for the provision of public defender services was created by passage of the Montana Public Defender Act (SB 146 of the 2005 session, contained in Title 47, MCA). System design and implementation functions began in FY 2006 with implementation and change to the new system for assignment of public defense counsel effective July 1, 2006 (FY 2007).

A Public Defender Commission (established in 2-15-1028, MCA) is responsible for supervision and direction of the system (47-1-105, MCA). The chief public defender, who is appointed by the commission, hires or contracts and supervises staff necessary to perform the functions of the office (47-1-201 and 47-1-202, MCA).

Program Highlights

Office of State Public Defender Public Defender Program Major Budget Highlights	
♦	Effective July 1, 2006 (FY 2007) the new Office of Public Defender became responsible for the provision of public defender services in district courts and courts of limited jurisdiction
♦	2009 biennium funding (not included 2009 biennium pay plan) increases 97.25 FTE and \$5.6 million when compared to legislative appropriations for FY 2007 to reflect the implementation of the new system as outlined in the strategic plan adopted by the Public Defender Commission and anticipated increases in caseload
♦	The agency anticipates the FY 2008 will be the first year of full implementation of the new public defender system

Funding

The Public Defender Office is funded with general fund. The office may also access funds deposited to state special revenue accounts from: 1) gifts, grants or donations; and 2) payments for the costs of a public defender either ordered by the court according to 46-8-113, MCA, ordered according the Montana Youth Court Act, or made according to the Crime Victims Compensation Act of Montana and designated as payment for public defender cost. The agency has estimated state special revenue from these sources will be \$75,000 per year during the 2009 biennium. However, because this is a new function, no prior history of revenues exists to be used as a basis for projecting future revenues.

Program Funding Table Public Defender Office						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 713,444	100.0%	\$ 19,139,343	99.6%	\$ 19,467,440	99.6%
01100 General Fund	713,444	100.0%	19,139,343	99.6%	19,467,440	99.6%
02000 Total State Special Funds	-	-	75,000	0.4%	75,000	0.4%
02247 Crime Victims Compensation Act	-	-	25,000	0.1%	25,000	0.1%
02248 Gifts, Grants And Donations Opd	-	-	10,000	0.1%	10,000	0.1%
02250 Court Ordered Sentencing Costs	-	-	25,000	0.1%	25,000	0.1%
02251 Montana Youth Court Act	-	-	15,000	0.1%	15,000	0.1%
Grand Total	\$ 713,444	100.0%	\$ 19,214,343	100.0%	\$ 19,542,440	100.0%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				5,119,378					5,126,319
Vacancy Savings				(217,597)					(217,883)
Inflation/Deflation				66,632					68,123
Fixed Costs				276,675					225,025
Total Statewide Present Law Adjustments				\$5,245,088					\$5,201,584
DP 101 - Office of Public Defender Funding Annualization									
97.25	10,662,693	0	0	10,662,693	97.25	10,608,642	0	0	10,608,642
DP 102 - Adjustment for Increase in Caseload									
0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000
DP 103 - Caseload Transition - Rst/Bien/OTO									
0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
Total Other Present Law Adjustments									
97.25	\$12,662,693	\$0	\$0	\$12,662,693	97.25	\$12,608,642	\$0	\$0	\$12,608,642
Grand Total All Present Law Adjustments				\$17,907,781					\$17,810,226

DP 101 - Office of Public Defender Funding Annualization - The legislature provided \$21.3 million to annualize funding for the Public Defender's Office based upon the agency's estimate of on-going future costs of the system.

DP 102 - Adjustment for Increase in Caseload - The legislature provided \$3.0 million general fund for the biennium for caseload increases.

DP 103 - Caseload Transition - Rst/Bien/OTO - The legislature provided \$1 million general fund as a restricted, biennial, one-time-only appropriation to help the Office of Public Defender transition the remainder of its cases from the old system to the new system of service delivery.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 105 - Misc. State Special Revenue Funding										
01	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
DP 702 - SB 547 -- Sexual Offender Caseload										
01	0.00	45,600	0	0	45,600	0.00	45,600	0	0	45,600
DP 703 - SB 104 Extd Stat Limit Certain Sex Crime Caseload										
01	0.00	141,000	0	0	141,000	0.00	141,000	0	0	141,000
DP 705 - HB 629 -- Mediation for Criminal Proceedings										
01	0.00	30,000	0	0	30,000	0.00	30,000	0	0	30,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	294,630	0	0	294,630	0.00	719,395	0	0	719,395
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	6,888	0	0	6,888	0.00	7,775	0	0	7,775
Total	0.00	\$518,118	\$75,000	\$0	\$593,118	0.00	\$943,770	\$75,000	\$0	\$1,018,770

DP 105 - Misc. State Special Revenue Funding - The legislature provided \$150,000 state special revenue for the biennium from the public defender account provided for in 47-1-110, MCA.

DP 702 - SB 547 -- Sexual Offender Caseload - The legislature provided \$45,600 general fund a year (\$91,200 for the biennium) for anticipated increases in costs and caseload due to the provisions of SB 547, which revises laws on sentencing, registration, and treatment of sexual offenders.

DP 703 - SB 104 Extd Stat Limit Certain Sex Crime Caseload - The legislature provided general fund of \$141,000 a year (\$282,000 for the biennium) to support an anticipated increase in caseload due to the provisions of SB 104, which extends the statute of limitation for certain sex crimes.

DP 705 - HB 629 -- Mediation for Criminal Proceedings - The legislature provided general fund of \$30,000 a year (\$60,000 for the biennium) to support a caseload increase anticipated due to the provisions of HB 629 allowing mediation in certain criminal proceedings.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	3.00	5.00	0.00	8.00	5.00	0.00	8.00	8.00
Personal Services	0	477,371	13,746	491,117	477,908	33,148	511,056	1,002,173
Operating Expenses	0	97,029	0	97,029	97,546	0	97,546	194,575
Total Costs	\$0	\$574,400	\$13,746	\$588,146	\$575,454	\$33,148	\$608,602	\$1,196,748
General Fund	0	574,400	13,746	588,146	575,454	33,148	608,602	1,196,748
Total Funds	\$0	\$574,400	\$13,746	\$588,146	\$575,454	\$33,148	\$608,602	\$1,196,748

Program Description

The Office of the Appellate Defender provides appellate representation to clients of the statewide public defender system. The office also provides appellate representation as time allows to clients represented by public defenders working under contract with the state Office of Public Defenders. The appellate section assists other offices in the system in the representation of indigent clients who qualify for an appointed attorney under state statutes governing post conviction relief.

The Public Defender Commission is responsible for supervision and direction of the statewide public defender system (47-1-105, MCA), which includes the appellate section. The chief public defender, who is appointed by the commission, hires and supervises the chief appellate defender, who manages and supervises the Appellate Defender Office.

Program Highlights

Office of State Public Defender Appellate Defender Program Major Budget Highlights	
♦	Effective July 1, 2006, (FY 2007) the appellate defender function became part of the new statewide public defender system; because of this change the base budget is shown as zero
♦	Staffing and expenditures for the appellate defender function increase by 5.00 FTE and about \$363,000 when compared to FY 2006 (prior to becoming part of the statewide public defender system) to reflect the implementation of the new system as outlined in the strategic plan adopted by the Public Defender Commission

Funding

The appellate defender function is funded entirely with general fund.

Program Funding Table					
Appellate Defender Office					
Program Funding		Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	\$ 588,146	100.0%	\$ 608,602	100.0%
	01100 General Fund	588,146	100.0%	608,602	100.0%
	Grand Total	\$ 588,146	100.0%	\$ 608,602	100.0%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					207,857					208,094
Vacancy Savings					(8,314)					(8,324)
Total Statewide Present Law Adjustments					\$199,543					\$199,770
DP 101 - Appellate Defender Funding Annualization										
	5.00	374,857	0	0	374,857	5.00	375,684	0	0	375,684
Total Other Present Law Adjustments										
	5.00	\$374,857	\$0	\$0	\$374,857	5.00	\$375,684	\$0	\$0	\$375,684
Grand Total All Present Law Adjustments					\$574,400					\$575,454

DP 101 - Appellate Defender Funding Annualization - The legislature provided \$750,541 general fund and 5.00 FTE to annualize and implement the statewide office of public defender' operating plan for the Appellate Defender Office. The office became a part of the statewide public defender system effective July 1, 2006. Prior to that date the office was a separate state agency.

New Proposals

New Proposals										
Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	13,499	0	0	13,499	0.00	32,886	0	0	32,886
DP 6014 - Retirement Employer Contributions - HB 131										
02	0.00	247	0	0	247	0.00	262	0	0	262
Total	0.00	\$13,746	\$0	\$0	\$13,746	0.00	\$33,148	\$0	\$0	\$33,148

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 63 and HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

HEALTH AND HUMAN SERVICES

Section B

JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE COMMITTEES

-----Agencies-----

Public Health & Human Services

-----Committee Members-----

House

Representative Edith Clark (Chair)

Representative Joey Jayne

Representative Penny Morgan

Senate

Senator John Cobb

Senator Greg Lind

Senator Dan Weinberg

-----Fiscal Division Staff-----

Lois Steinbeck
Marilyn Daumiller
Kris Wilkinson

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	2,780.42	38.60	67.55	2,886.57	38.60	74.30	2,893.32	2,893.32
Personal Services	126,592,810	13,935,014	8,499,300	149,027,124	14,799,797	15,031,560	156,424,167	305,451,291
Operating Expenses	85,127,745	5,274,084	6,946,040	97,347,869	5,364,419	4,036,340	94,528,504	191,876,373
Equipment	501,698	34,001	185,000	720,699	34,001	145,000	680,699	1,401,398
Capital Outlay	53,007	0	0	53,007	0	0	53,007	106,014
Grants	58,784,995	1,776,175	10,821,145	71,382,315	1,776,175	10,567,543	71,128,713	142,511,028
Benefits & Claims	982,705,001	121,615,268	95,257,665	1,199,577,934	158,824,870	128,695,551	1,270,225,422	2,469,803,356
Transfers	0	0	0	0	0	0	0	0
Debt Service	591,429	3,030	2,700	597,159	3,300	0	594,729	1,191,888
Total Costs	\$1,254,356,685	\$142,637,572	\$121,711,850	\$1,518,706,107	\$180,802,562	\$158,475,994	\$1,593,635,241	\$3,112,341,348
General Fund	307,876,614	41,115,409	31,880,327	380,872,350	56,667,042	41,779,196	406,322,852	787,195,202
State/Other Special	74,251,264	27,719,214	27,250,333	129,220,811	12,267,968	32,177,787	118,697,019	247,917,830
Federal Special	872,228,807	73,802,949	62,581,190	1,008,612,946	111,867,552	84,519,011	1,068,615,370	2,077,228,316
Total Funds	\$1,254,356,685	\$142,637,572	\$121,711,850	\$1,518,706,107	\$180,802,562	\$158,475,994	\$1,593,635,241	\$3,112,341,348

Agency Description

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Agency Highlights

Department of Public Health and Human Services	
Major Budget Highlights	
♦	The 2009 biennium appropriation for DPHHS is \$441.6 million total funds, including \$157.5 million general fund, higher than the 2007 biennium, which represents a 16.5 percent increase <ul style="list-style-type: none"> • Most of the biennial increase is in services costs - \$364.3 million or 82.5 percent
♦	The 2009 biennial budget is \$603.6 million more than the FY 2006 base budget doubled, including \$171.4 million general fund and \$99.4 million state special revenue <ul style="list-style-type: none"> • The cost to maintain present law services, particularly benefits and services for individuals, is about three quarters of the total increase at \$323.1 million • Changes in Medicaid services account for about \$300 million or 51.1 percent of the total DPHHS biennial increase

- ◆ Major Medicaid general fund increases over the biennium include:
 - Present law caseload - \$41.9 million
 - Federal match rate reductions - \$25.6 million
 - New proposals to expand services \$7.2 million
 - NonMedicaid Provider rate and direct care worker wage increases - \$6.1 million general fund
 - State institution general fund increases include:
 - 36.60 new FTE, inflation in operating costs, and fully funding personal services for the state hospital - \$8.7 million general fund
 - Operating cost inflation and personal services adjustments to fully fund positions and annualize the 2007 biennium pay plan for other state institutions - \$2.5 million general fund
 - Foster care and subsidized adoption caseload - \$5.1 million general fund
- ◆ Major changes in state special revenue funds over the biennium are:
 - Medicaid changes, largely funded from the health and Medicaid initiatives account
 - Annualization of 2007 biennium provider rate increases and service expansions - \$17.2 million
 - 2009 biennium provider rate increases - \$9.3 million
 - 2009 biennium direct care worker wage increases - \$8.4 million
 - 2009 biennium service expansions, including raising Medicaid eligibility for infants and pregnant women - \$7.4 million
 - Tobacco prevention and cessation program expansions, including chronic disease programs - \$8.9 million
 - Big Sky Rx (prescription drug premium assistance for low-income Medicare eligible persons) - \$9.9 million
 - Children's Health Insurance Program (CHIP) - \$5.8 million to support state administration of the program, increase enrollment from 12,019 to 13,900, and raise financial eligibility
- ◆ Major changes in federal funds are due to:
 - Medicaid caseload, provider rate increases, annualization of 2007 biennium expansions and 2009 biennium expansions - \$261.4 million
 - Food stamp benefits - \$32.6 million
 - CHIP - \$20.2 million to support state administration and enrollment increases and raise financial eligibility to 175 percent of the federal poverty

Summary of Legislative Action

The 2009 biennium appropriation for the Department of Public Health and Human Services (DPHHS) grows \$603.6 million total funds compared to the base budget doubled. Most of the growth is in federal funds, primarily Medicaid matching funds, which are \$233.2 million or 38.6 percent of the total change. General fund grows \$171.4 million and comprises 28.4 percent of the total change. State special revenue rises \$99.4 million and accounts for 16.5 percent of the total.

Benefits and claims for individuals are \$2.5 billion of the 2009 biennium appropriation, slightly more than 80 percent of the total, and when combined with grant appropriations, the two comprise 83.9 percent of the total biennial appropriation. Benefits and claims also account for the biggest share of the biennial appropriation increase, rising \$504.4 million or 83.6 percent of the total change. Personal services costs rise \$52.3 million (8.7 percent of the total) due in large part to costs of staffing the seven state institutions managed by DPHHS and funding for 48.40 new institutional FTE. Costs for the 2009

biennium pay plan are \$17.1 million of the personal services increase.

Medicaid services comprise over half of the total DPHHS 2009 biennial appropriation. Together Medicaid services and several other significant service programs (food stamps, foster care and subsidized adoption, Children's Health Insurance Program (CHIP), energy and commodity assistance, and child care) comprise over 81.0 percent of the total 2009 biennium appropriation.

Medicaid Services

Taken altogether, Medicaid services are the single most significant component of the DPHHS budget. Figure 1 shows the 2009 biennium appropriation for Medicaid services, which is \$1.8 billion or 57.9 percent of the total biennial appropriation.

Figure 1
2009 Biennium Medicaid Appropriations by Type of Change

Component of Medicaid Appropriation	General Fund	SSR	Federal	Total	Percent of Total
FY 2006 Base Budget (Doubled)	\$335,434,425	\$73,332,870	\$1,060,706,165	\$1,469,473,460	81.5%
Caseload, Service Utilization, Inflation	42,107,006	3,255,164	72,091,226	117,453,396	6.5%
Rate Increases*	6,146,790	24,576,836	59,192,199	89,915,825	5.0%
Annualization - 2007 Biennium Expansions	(569,785)	16,278,301	63,037,797	78,746,313	4.4%
Service Expansions	6,362,724	4,158,063	30,661,392	41,182,179	2.3%
Other Expansions	3,604,172	256,509	2,332,265	6,192,946	0.3%
Federal Match Rate Reductions	26,064,910	51,122	(26,116,032)	0	0.0%
Efficiencies and Reductions	(157,200)	0	(342,800)	(500,000)	0.0%
Subtotal Biennial Increases	<u>\$83,558,617</u>	<u>\$48,575,995</u>	<u>\$200,856,048</u>	<u>\$332,990,659</u>	100.0%
Percent Increase Over Base Year Doubled	24.9%	66.2%	18.9%	22.7%	
Total 2009 Biennium Appropriation	\$418,993,042	\$121,908,865	\$1,261,562,213	\$1,802,464,119	

*Rate increases include the hospital utilization fee and federal matching funds as well as direct care worker wage increase.

The appropriation is \$333.0 million greater than the Medicaid base budget doubled. Most of the increase - \$117.5 million - funds growth in service utilization. 2009 biennium rate increases, including additional funds from the hospital utilization fee, add \$89.9 million. Annualization of 2007 biennium expansions, including provider and direct care worker wage increases, adds \$78.7 million. Service and eligibility expansions authorized by the 2007 Legislature add \$41.2 million. Other expansions of \$6.2 million include funding for changes to allow elderly and disabled persons living in the community to retain more of their income and still be eligible for Medicaid and for funds to support healthcare for healthcare workers. Federal match rate changes increase general fund by \$21.6 million and offset a like amount of federal funds.

Legislative Discussion

The 2007 Legislature approved many of its own budget initiatives for DPHHS, including higher provider rates than requested in the executive budget, direct care worker wage increases, CHIP and Medicaid eligibility expansions, and mental health services expansions.

Provider Rate Increases

The legislature appropriated \$42.9 million total funds, including \$7.5 million general fund and \$35.4 million health and Medicaid initiatives state special revenue, for provider rate increases. The legislature approved: 1) \$35.2 million as a legislative initiative to increase provider rates beyond those recommended by the Governor; and 2) \$8.7 million for the provider rate component of the Disabilities Services Division's rate rebasing project. Figure 2 shows the estimated annual rate increases and biennial appropriation amounts by division. As shown in Figure 2, the rates increase in both FY 2008 and FY 2009. For example, the Addictive and Mental Disorders Medicaid Provider receive a 2.45 percent increase in FY 2008 and an additional 2.32 percent increase in FY 2009.

During the regular session, the legislature approved funding for a 2.5 percent provider rate increase each year of the biennium for all providers, with rate increases above that level for certain services. The Governor reduced the general fund appropriation for all provider rate increases by about 26 percent to delay implementation of the rate increase in FY 2008 in the budget proposal submitted for consideration during the May 2007 special session. The legislature accepted the executive request to delay

implementation of provider rate increases in FY 2008 for all services except those administered by the Senior and Long-Term Care Division, which are services for elderly and disabled persons. The legislature restored \$1.2 million, including \$0.4 million general fund in the Senior and Long Term Care Division to raise provider rates 2.5 percent each year of the biennium.

The general fund reduction/delay in implementation impacted rate increases differently across service and provider types. Services that are fully or partially funded from the general fund received proportionally smaller rate increases than other service types that are funded from Medicaid or where the Medicaid match was fully funded from state special revenue. That is why the rate increase percentages vary across service types. Rates for physician services do not increase in FY 2008, but increase 4.29 percent in FY 2009. The balance of the provider rate increases vary from a low of 1.39 percent to a high of 4.26 percent.

Developmental Disability Rate Rebasing

The legislature approved \$18.0 million to strengthen the statewide infrastructure for community services for developmentally disabled individuals through a rate rebasing project for community providers. The appropriation provides \$3.4 million general fund, \$3.9 million state special revenue, and \$10.7 million federal revenue. The appropriation continues the division's project to implement a formula-based system with an established price structure for services that are selected by the consumer, rather than governed by the provider's contract with the state. All providers will ultimately invoice based upon the service and volume of service units provided to a specific client, and will be reimbursed according to a uniform, published fee schedule.

The disability services system also received \$5.4 million from the legislative initiative for direct care worker wage increases that is discussed in the following section. However, because this division was already addressing a minimum target of \$8.00 per hour (plus about \$1.40 per hour for benefits and health care) for direct care worker wages in the rate rebasing project, its appropriation included funding for a \$0.19 per hour increase, not the \$0.70 per hour discussed below. As shown in the following figure the \$5.6 million appropriation was estimated to raise direct care worker wages to \$8.35 per hour rather than \$8.50 per hour, and the HB 2 language for the appropriation was adjusted to read "up to \$8.50" to allow the division to spend the appropriation.

Figure 2 Provider Rate Increase - 2009 Biennium					
Division/Subprogram	Percent Increase		Biennial Appropriation		% of Totl
	FY 2008	FY 2009	General Fund	Total Funds	
Child and Family Services	1.86%	1.86%	\$755,453	\$1,300,036	3.0%
Disability Services					
Developmental Disabilities - Rebase Proj.	4.26%	1.95%	1,596,815	8,682,813	20.3%
Vocational Rehabilitation	1.85%	1.85%	338,269	344,048	0.8%
Health Resources	2.50%	1.85%	1,300,727	11,145,436	26.0%
Physician Services	0.00%	4.29%	520,306	2,043,234	4.8%
Senior and Long Term Care	2.50%	2.50%	2,135,282	15,535,021	36.3%
Addictive and Mental Disorders					0.0%
Medicaid Providers	2.45%	2.32%	750,240	3,555,994	8.3%
NonMedicaid Providers	1.39%	2.34%	90,499	244,346	0.6%
Total			<u>\$7,487,591</u>	<u>\$42,850,928</u>	<u>100.0%</u>
Percent of Total			17.5%		

Direct Care Worker Wage Increases

The legislature appropriated \$34.9 million total funds, including \$7.3 million general fund and \$3.3 million health and Medicaid initiatives state special revenue, for direct care worker wage increases. The funding was based on an assumption that certain types of jobs would be raised to \$8.50 per hour, including related benefits, and then with remaining funds all direct care worker wages would be raised by up to \$0.70 per hour including related benefits. Figure 3 shows the biennial appropriation for direct care worker wage increases by division and the amount of increase that can be funded, by division.

Figure 3					
Direct Care Worker Wage and Benefit Increase					
Division	Reach \$8.50 Threshold	Additional Above \$8.50	Biennial Appropriation		% of Ttl
			General Fund	Total Funds	
Senior and Long Term Care	Yes	\$0.70	\$2,307,741	\$15,815,046	45.3%
Disability Services*		--			
Legislative Initiative	No - \$8.35		2,105,519	5,436,956	15.6%
Rate Rebasing - Executive Budget			1,799,770	9,327,277	26.7%
Health Resources	Yes	\$0.70	37,086	2,026,356	5.8%
Addictive and Mental Disorders	Yes	Minimal	450,645	1,433,350	4.1%
Child and Family Services	Yes	\$0.31	629,874	899,822	2.6%
Total			\$7,330,635	\$34,938,807	100.0%
Percent of Total			21.0%		
Total Added by Legislative Initiative			\$5,530,865	\$25,611,530	2846.3%
*The largest share of the direct care worker wage increase for disability services was requested in the executive budget and approved by the legislature. The legislature increased the amount by another \$5.4 million.					

The legislature in its regular session approved funding sufficient to raise all direct care worker wage increases to \$8.50 per hour including related benefits. The Governor reduced the legislative general fund appropriation from the regular 2007 session for wage increases by 16 percent over the biennium in his budget recommendation to the May 2007 special session. The legislature restored the general fund in the special session.

Other Major Components of the Legislative Budget for the 2009 Biennium

The 2009 biennium appropriation in HB 2 also includes present law or new proposals of:

- o \$44.8 million to continue Medicaid provider rate increases funded by the hospital bed tax
- o \$43.2 million in total funds (\$0.7 million general fund) for continued TANF cash assistance benefits including \$2.8 million increased federal TANF authority to increase benefits to 33 percent of the 2007 federal poverty level from the 2005 federal poverty level
- o \$40.3 million in federal low-income energy and weatherization benefit authority
- o \$32.6 million to increase federal food stamp benefit authority for a total authority of over \$200 million for the biennium
- o \$18.8 million total funds (\$15.1 million general fund) for expansion of community mental health services and prevention programs including:
 - \$5.2 million general fund for the Mental Health Services Plan (MHSP), which provides mental health services and prescription drugs to adults who are not Medicaid eligible, but have a mental illness and incomes below 150 percent of the federal poverty level. The FY 2009 appropriation was made with the legislative intent that DPHHS move to a fee-for-service reimbursement instead of administering the program through a limited number of provider contracts
 - \$6.3 million total funds (\$3.0 million general fund) for services provided by behavioral health inpatient facilities for short term inpatient care
 - \$4.1 million total funds (\$3.7 million general fund) for 72 hour crisis services
 - \$1.6 million general fund for mentally ill offenders, including prescription drugs for both adult and juvenile offenders
 - \$0.8 million general fund for a suicide prevention program

- \$0.7 million general fund for drop in centers for persons with a mental illness, with funding priority given to those programs with staff who can monitor medication
- \$11.3 million for DPHHS administration of the Children's Health Insurance Program (CHIP)
- \$2.6 million total funds (\$0.8 million general fund) for Medicaid provider rate increases for long-term care community service agencies that agree to provide employee health care benefits that meet requirements established by DPHHS to be initiated January 1, 2009
- \$8.2 million total funds to raise CHIP eligibility to 175 percent of the federal poverty level
- \$8.2 million (\$4.0 million general fund and \$4.2 million TANF) for child care activities that are included in the \$75.9 million total biennial appropriation for early childhood services in Human and Community Services
- \$6.9 million total funds, including \$2.1 million health and Medicaid initiatives state special revenue, to raise Medicaid financial eligibility for infants up to 1 year old and pregnant women to 150 percent of the federal poverty level from 133 percent
- \$8.2 million, \$6.4 million general fund, to expand and continue community aging services that were funded as a one-time appropriation in the 2007 biennium, with \$3.0 million designated as a one-time-only appropriation
- \$6.2 million total funds for a Medicaid family planning waiver to expand provision of services to persons with incomes up to 185 percent of the federal poverty level
- \$5.4 million tobacco settlement funds for chronic disease programs
- \$4.8 million total funds (\$1.1 million general fund) to revise income eligibility for the Medically Needy category of eligibility
- \$4.0 million general fund for expanded community treatment for methamphetamine and chemical dependency
- \$2.7 million general fund to offset potential reductions in county intergovernmental transfer funds used as state Medicaid match for nursing home and community based services

Funding

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

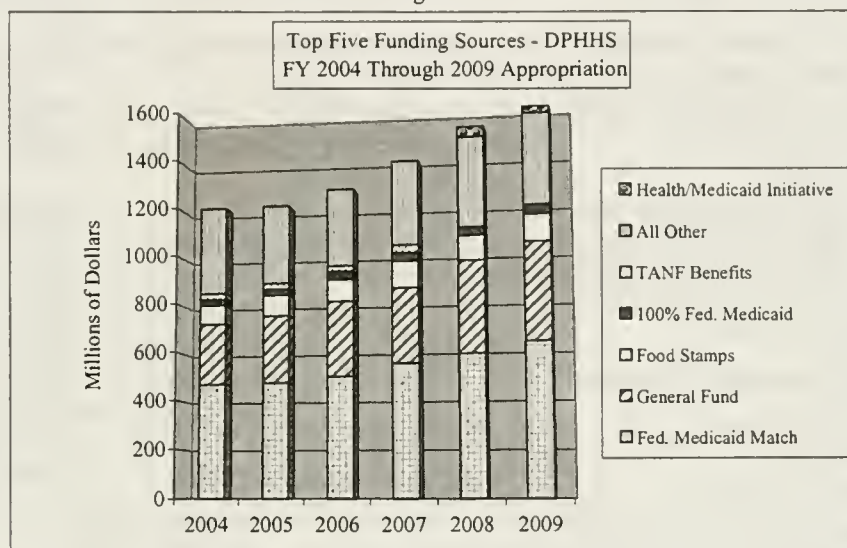
Total Agency Funding 2009 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
02 Human And Community Services	\$ 62,303,401	\$ 2,797,233	\$ 398,028,653	\$ 463,129,287	14.88%
03 Child & Family Services	65,966,421	4,842,487	61,095,746	131,904,654	4.24%
04 Director'S Office	6,100,891	648,690	43,772,179	50,521,760	1.62%
05 Child Support Enforcement	8,068,636	3,459,106	10,583,832	22,111,574	0.71%
06 Business & Financial Services Division	7,584,487	1,879,188	8,875,889	18,339,564	0.59%
07 Public Health & Safety Div.	7,747,018	34,292,637	86,156,264	128,195,919	4.12%
08 Quality Assurance Division	5,227,943	460,241	12,224,293	17,912,477	0.58%
09 Technology Services Division	15,236,916	1,462,711	22,181,406	38,881,033	1.25%
10 Disability Services Division	105,902,765	8,956,546	180,399,221	295,258,532	9.49%
11 Health Resources Division	262,785,870	96,752,993	815,102,784	1,174,641,647	37.74%
22 Senior & Long-Term Care	111,049,252	67,281,896	337,022,397	515,353,545	16.56%
33 Addictive & Mental Disorders	129,221,602	25,084,102	101,785,652	256,091,356	8.23%
Grand Total	\$ 787,195,202	\$ 247,917,830	\$ 2,077,228,316	\$3,112,341,348	100.00%

DPHHS is funded by over 190 distinct funding sources and more than half are federal sources. Individually, the top six DPHHS division budgets exceed most state agency budgets. General fund supports one quarter of the 2009 biennium budget request, state special revenue provides 7.5 percent, and federal funds are 67.1 percent of total funding.

Most state funding in the DPHHS budget is used as state matching funds or maintenance of effort (MOE) for programs funded partly with federal funds, including Medicaid, CHIP, some foster care, subsidized adoption and child care services, Temporary Assistance for Needy Families (TANF), and program administrative costs. At a minimum, \$500.0 million general fund (67.0 of total agency general fund) and \$135.0 million of state special revenue (53.6 percent total agency state special revenue) is used to secure federal funding in the 2009 biennium budget.

Figure 4 shows the top five funding sources for DPHHS from FY 2004 through the FY 2009 appropriation. Together these five funding sources account for over three quarters of the total funding for each year shown and over 81.0 percent in the 2009 biennium appropriation. Federal Medicaid matching funds average about 39.0 percent of total funding in each year, followed by general fund, which rises from 21.2 percent of total funds in FY 2006 to 25.5 percent in FY 2009. All of the other funding sources listed contribute less than 9.0 percent of total funds in any one year, including federal funds supporting food stamp benefits and federal Medicaid funds that are passed through to Indian Health Services and schools. In FY 2008, health and Medicaid initiative account funds broke into the top five funding sources, edging out the federal TANF block grant. The remaining funding sources that support DPHHS are discussed in greater detail in division budget narratives.

Figure 4



Summary of Tobacco Related State Special Revenue Sources

DPHHS programs are supported by health and Medicaid initiatives account (tobacco taxes raised by I-149), tobacco settlement funds, and interest on the tobacco settlement trust fund. The following figure show appropriations for DPHHS and the State Auditor's Office from these accounts.

Health and Medicaid Initiatives

Figure 5 shows the fund balance for the health and Medicaid initiatives account from FY 2006 actual expenditures and revenues through FY 2009 appropriations. The totals include a one-time diversion of funds from this account to initiate a trust fund for aging services authorized by SB 155, which is discussed in the Other Legislation section.

Figure 5

Health and Medicaid Initiatives Fund Balance - FY 2006 to FY 2009 Appropriation
Cigarette Tax Revenue Dedicated to Health Initiatives

Fund Balance Revenue/Expenditures	FY 2006	FY 2007*	FY 2008*	FY 2009*	Percent of Total
Beginning Fund Balance	\$14,836,318	\$36,987,741	\$39,918,353	\$23,836,637	
Revenue - Cigarette Tax	\$38,089,726	\$38,075,000	\$37,403,000	\$36,902,000	
Expenditures					
Medicaid Provider Rates**	\$8,265,643	\$8,043,543			
2007 Biennium Annualization**			\$10,691,374	\$10,598,201	27.6%
2009 Biennium			5,221,552	5,361,955	14.0%
Direct Care Worker Wage Increases			1,630,136	1,634,373	4.3%
Big Sky Rx					
Medicare Part D Premium Assistance	931,071	8,239,767	10,986,356	1,086,308	2.8%
Pharmacist Program	0	0	362,071	334,052	0.9%
Senior Trust Fund - SB 155 - One Time	0	510,233	0	0	0.0%
Insure Montana (Premium Assist.)	615,450	5,116,001	6,525,515	6,525,413	17.0%
Medicaid Service Expansions					
2007 Biennium	282,620	3,706,547	4,368,065	4,783,267	12.5%
2009 Biennium					
AMDD Community Waiver - 20 Slots	0	0	252,062	252,865	0.7%
SLTC Community Waiver	0	0	0	410,728	1.1%
Children to 1 and Pregnant Women with Incomes up to 150% of Poverty	0	0	943,117	1,216,532	3.2%
Health Insurance Tax Credits	1,763,349	3,976,330	4,350,276	4,350,286	11.3%
MHSP/HIFA Waiver	3,152,605	3,347,395	6,345,946	40,755	0.1%
CHIP	902,565	2,129,572	902,384	902,380	2.4%
CHIP Eligibility to 175% of Poverty	0	0	699,575	679,705	1.8%
Other***	<u>25,000</u>	<u>75,000</u>	<u>206,287</u>	<u>214,558</u>	<u>0.6%</u>
Subtotal Expenditures	\$15,938,303	\$35,144,388	\$53,484,716	\$38,391,378	100.0%
Annual Change		120.5%	52.2%	-28.2%	
Ending Fund Balance	<u>\$36,987,741</u>	<u>\$39,918,353</u>	<u>\$23,836,637</u>	<u>\$22,347,260</u>	

*Revenue based on estimates adopted by the legislature in HR2. FY 2007 expenditures are estimated by legislative staff and assume that DPHHS will fully expend all appropriations. 2009 biennium expenditures are based on HB 2 appropriations.

**2007 biennium provider rate increases include about \$3.0 million annually in Medicaid matching funds for direct care worker wage increases beginning in FY 2007.

***Other includes some funds used as Medicaid match.

Appropriations more than double from base budget expenditures. The most significant increases in the 2009 biennium appropriation are:

- \$21.3 million to continue and annualize direct care worker and Medicaid provider rate increases approved by the 2005 Legislature
- \$13.8 million for direct care worker and Medicaid provider rate increases in the coming biennium
- \$13.1 million to continue and expand Insure Montana, which provides premium assistance for employers with 2 to 15 employees providing health insurance for the first time
- \$12.1 million to continue and increase enrollment Big Sky Rx, which pays premium assistance for Medicare Part D prescription drug coverage for persons with incomes below 200 percent of the federal poverty level
- \$9.2 million to annualize the cost to expand Medicaid eligibility for children by raising the family asset limit from \$3,000 to \$15,000 as authorized by the 2005 Legislature
- \$8.7 million to offset the general fund revenue loss for tax credits for small employers who provide health insurance for their employees
- \$6.4 million to provide matching funds for the proposed Health Insurance and Flexibility (HIFA) waiver, which is discussed in more detail in the Director's Office budget narrative
- \$2.7 million to raise Medicaid eligibility for infants up to 1 year old and pregnant women with incomes from 133 percent to up to 150 percent of the federal poverty level
- \$1.8 million to expand CHIP eligibility and continue enrollment expansions funded in the 2007 biennium

- \$1.0 million to fund expansions of the home and community based waiver programs administered by the Addictive and Mental Disorders and Senior and Long Term Care Divisions

Solvency of Health and Medicaid Initiatives Account

The 2005 and 2007 Legislatures structured appropriations from the health and Medicaid initiatives account in an attempt to keep the account solvent through the 2011 biennium, meaning that the annual appropriations needed to sustain programs could be funded through the end of FY 2011. As shown in Figure 5 annual expenditures from the account exceed annual revenues beginning in FY 2008. The fiscal solvency of the account will be impacted by the outcome of SB 65.

Appropriation Transfer Statutes Impact Account Solvency

The Legislative Finance Committee, responding to a staff legal analysis, proposed SB 65, which was passed during the regular session of the legislature, but vetoed by the Governor after the special session adjourned. If the Governor’s veto is sustained, the projected deficit in the health and Medicaid initiatives account at the end of FY 2011 could grow from under \$1 million to a several million depending on three variables.

SB 65 amends appropriation control statutes that allow agencies to transfer appropriation authority between appropriations. While authority in a restricted appropriation may not be transferred to another appropriation, restricted appropriations can be augmented by a program transfer. Additionally, 17-7-108, MCA requires agencies to spend nongeneral fund first. A legislative staff legal analysis concluded that the cash reserves in the health and Medicaid initiatives account could be fully or partially depleted if there were:

1. Excess state special revenue appropriation authority that could be transferred to increase appropriations from the health and Medicaid initiatives account;
2. Sufficient cash reserves in the health and Medicaid initiatives account to expend increased appropriation authority; and;
3. Expenses that could be legally paid from the account that are funded instead from the general fund.

All three of these conditions exist in the 2009 biennium budget. There will likely be some excess state special revenue appropriation authority. Historically, there has been excess state special revenue in state institution budgets. There may be excess state special revenue appropriated for the CHIP program if enrollment grows at a slower rate than the level that can be funded from the appropriation. There is \$1.0 million in state special revenue authority appropriated in the Addictive and Mental Disorders Division for potential reimbursement from the Department of Corrections for prescription drugs for mentally ill offenders, which may not be used if DOC does not have adequate funds to purchase additional drugs or if additional drugs are not needed. There is \$8.5 million general fund appropriated for Medicaid provider rate increases, direct care worker wage increases, and Medicaid service expansions and other rate increases that can be legally be offset with health and Medicaid initiatives funds. Finally, there is a projected balance of \$23.8 million in the account after all appropriations are deducted. If SB 65 does not become law, then DPHHS will be statutorily obligated to augment appropriations for health and Medicaid initiatives and offset general fund costs.

HIFA

The 2005 Legislature approved the executive proposal to submit a Health Insurance Flexibility and Accountability (HIFA) waiver to expand Medicaid eligibility services. The state match to fund the expansion comes from the health and Medicaid initiatives state special revenue appropriation for prescription drugs for the Mental Health Services Plan – about \$6.0 million. The application for the waiver was submitted in July 2006, but has not yet been approved.

The 2007 Legislature approved \$30 million in federal Medicaid matching funds over the 2009 biennium in anticipation of approval of a Medicaid HIFA waiver. The HIFA waiver allows states to bypass requirements of the Social Security Act in areas such as comparability of services, state-wideness, freedom of choice, early and periodic screening diagnostic and treatment services (EPSDT), and cost sharing. Waiving these provisions allows states to be creative in designing new health care programs to meet the needs of uninsured populations, by providing Medicaid funded healthcare coverage for

low-income citizens and health insurance to citizens who otherwise would not qualify for traditional Medicaid services and yet cannot afford health insurance.

Figure 6 HIFA Eligibility, Estimated Number Served, Type of Benefit			
Proposed Groups	Financial Eligibility	Service Package	Numbers Served
Mental Health Services Plan <i>Expansion Group</i>	Equal to or less than 150% FPL	Mental health services, prescription drugs, physical health*, acute care (short term), Nurse First	1,500 Expanded health care benefit
Uninsured Working Parents of Children with Medicaid <i>Optional Group</i>	Equal to or less than 200% FPL	Physical health*, Nurse First	600 New health care benefit
Uninsured Children <i>Optional Group</i>	Equal to or less than 150% FPL	Benefit package that mirrors CHIP benefit, Nurse First	1,500 New health care benefit
Uninsured former SED foster youth ages 18 through 20 <i>Optional Group</i>	Equal to or less than 150% FPL	Benefit package that mirrors CHIP benefit, enhanced mental health, transition life skills, Nurse First	300 New health care benefit
MCHA <i>Expansion Group</i>	Equal to or less than 150% FPL	Insurance premium assistance, Nurse First	200 Current health care benefit; 60 new health care benefit served off waiting list
1) Uninsured working adults 19 to 65 who have children under age 21 2) Uninsured working youth ages 18 to 21 <i>Optional Group</i>	Equal to or less than 200% FPL	Insurance premium assistance, insurance pool, premium incentives for employers, Nurse First	1,200 New health care benefit
<p>*Physical Health = average of \$166 per month</p> <ul style="list-style-type: none"> • For insurance from employer • For private insurance • For a health care account <p>Source: DPHHS, October 5, 2006</p>			

Populations

Figure 6 shows the eligibility expansions, the types of benefits and assistance, and the number of persons anticipated to be served under the proposed waiver, which remains substantially the same as approved by the legislature. The actual healthcare benefit packages, eligibility groups, and the number of people served may change as a result of negotiations with Centers for Medicare and Medicaid Services (CMS). The proposed uninsured groups and individual coverages are:

- Uninsured children under 150 percent of the federal poverty level (FPL)
 - Benefit package equivalent to that provided by the Children's Health Insurance Program (CHIP)
- Uninsured youth ages 18-20 formerly in foster care who are seriously emotionally disturbed (SED)
 - CHIP look alike benefit with specialized life skills component
- Persons eligible for the Montana Comprehensive Health Association (MCHA) assistance program
 - Premium assistance
- A basic health insurance package equivalent to \$2,000 per person per year for:
 - Uninsured working parents whose children are currently covered under Medicaid
 - Uninsured adults with children under 21
 - Uninsured youth ages 18-20
 - Uninsured Mental Health Services Plan (MHSP) participants

The final eligibility groups listed would be able to choose among three limited physical health care benefit options with an annual benefit of \$2,000, including:

- Assistance with the cost of the monthly premium of employer based insurance
- Payment of the monthly premium for private individual insurance policies
- Medicaid fee-for-service benefits

CMS has expressed concerns with the CHIP look alike benefit for uninsured children under 150 percent of the federal poverty level as these children qualify for CHIP and should be served within the CHIP program. DPHHS staff indicated they will revise the current HIFA waiver submission and withdraw this population as part of the proposed waiver. In addition, children qualify for benefits through age 18, so DPHHS staff will also amend the waiver application to ages 19 to 20 where needed.

Services Provided

MHSP clients determined eligible for waiver services would receive education and assistance in choosing the most appropriate coverage option for their needs. DPHHS estimates that up to 1,500 MHSP clients would be eligible to participate in this waiver proposal. Approximately one-third of the MHSP clients would not be able to participate in the proposed waiver program because they currently have private health insurance or they have health coverage under Medicare. Under CMS guidelines, the state cannot obtain federal matching dollars for the health care services they receive. Therefore, the state would continue to provide existing MHSP mental health services using current state funds.

Conditions

States must meet several conditions under a HIFA waiver, including cost neutrality and a maintenance of effort. Cost neutrality is measured by what the federal government would have paid for Medicaid services without the waiver compared to what it contributes for waiver services. Federal costs can be no more under the waiver than without a waiver. The HIFA waiver is cost neutral due to the inclusion of savings from another waiver administered by DPHHS that provides a smaller, basic package of Medicaid services to eligible adults with children (Families Achieving Independence in Montana (FAIM) waiver). The HIFA proposal is more comprehensive because CMS allowed savings from the FAIM waiver to be included.

States must maintain the same level of funding for the HIFA waiver as it did for the services it covered prior to implementation of the waiver. The estimated annual maintenance of effort (MOE) for the HIFA waiver is dependent on the level of services and funding for those populations considered part of the waiver when it is approved.

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- Constitutional Amendment 35 requiring not less than 40.0 percent of tobacco settlement money to go to a permanent tobacco trust fund (November 2000)
- Initiative 146 to allocate 32.0 percent of the total tobacco settlement funds to tobacco prevention and cessation programs and 17.0 percent to the CHIP and Montana Comprehensive Health Association (MCHA)

The remaining 11.0 percent of the MSA money is deposited to the general fund. Figure 7 shows the allocation of MSA payments to these state special revenue funds as approved by the legislature for the 2009 biennium. Revenues, budgeted expenditures, and fund balances for these revenue sources are outlined.

Figure 7
Tobacco Settlement Account - Fund Balance
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts

Fund Balances, Revenues, Expenditures	FY 2006	FY 2007	FY 2008	FY 2009	Percent of Total
<u>32% Allocation to Tobacco Cessation/Prevention</u>					
Beginning Fund Balance	\$0	\$1,191,489	\$2,409,384	\$2,448,497	
Revenue	\$7,952,330	\$8,209,280	\$11,215,680	\$11,623,360	
Expenditures					
Public Health and Safety Division					
Tobacco Control & Prevention	\$6,706,241	\$6,991,385	\$7,846,567	\$7,847,419	70.2%
Chronic Disease Programs	0	0	2,700,000	2,700,000	24.2%
Tribal Programs	0	0	630,000	630,000	5.6%
Subtotal Expenditures	\$6,706,241	\$6,991,385	\$11,176,567	\$11,177,419	100.0%
Percent Annual Increase		4.3%	59.9%	0.0%	
Adjustments	(\$54,600)				
Ending Fund Balance	\$1,191,489	\$2,409,384	\$2,448,497	\$2,894,438	
<u>17% Allocation to CHIP/MT Comprehensive Health Association</u>					
Beginning Fund Balance	\$0	\$507,796	\$1,244,091	\$629,960	
Revenue	\$4,224,676	\$4,361,180	\$5,958,330	\$6,174,910	
Expenditures					
CHIP	\$3,143,665	\$3,051,670	\$5,748,288	\$5,879,255	86.4%
MCHA	\$73,215	\$73,215	\$24,173	\$925,614	13.6%
Subtotal Expenditures	\$3,716,880	\$3,624,885	\$6,572,461	\$6,804,869	100.0%
Percentage of Annual Increase		-2.5%	81.3%	3.5%	
Ending Fund Balance	\$507,796	\$1,244,091	\$629,960	\$1	

By statute, any funds designated for the tobacco treatment and cessation funds or CHIP and MCHA that are not appropriated within two years of receipt for these activities are deposited into the tobacco settlement trust.

According to the statute, 32 percent of the total tobacco settlement money may only be used for tobacco prevention and cessation programs designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use. HB 743 of the 2007 regular session added chronic disease programs to the definition of programs for tobacco disease prevention. The legislature approved an additional \$2.7 million each year of the biennium to provide support for chronic disease programs. \$1.7 million was approved to provide for additional funding for tribal programs, increase community based efforts to prevent tobacco use, establish new college campus tobacco prevention programs, and implement a statewide public education campaign on spit tobacco use and the benefits of tobacco cessation during pregnancy. As Figure 7 shows the FY 2009 ending fund balance for the allocation to tobacco cessation/prevention will be \$2.9 million.

Tobacco Trust Fund Interest

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- 90.0 percent for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- 10.0 percent re-deposited in the tobacco trust

Figure 8 presents information on the revenues, budgeted expenditures, and fund balances for the tobacco trust fund interest over the 2009 biennium. As shown, the legislature appropriated tobacco settlement trust fund interest for public home health visits, mental health services, human papillomavirus vaccinations, resource facilitation services relating to traumatic brain injuries, and children's special health services. These are new uses of these funds. A total of 10.6 percent of the interest is proposed for these uses in FY 2008 and 23.3 percent in FY 2009. The legislature appropriated the remaining interest to support Medicaid benefits, children's mental health, and nursing home services.

Figure 8
Tobacco Settlement Trust Fund Interest - Fund Balance

Fund Balances, Revenues, Expenditures	FY 2006	FY 2007	FY 2008	FY 2009
Beginning Fund Balance	\$0	\$0	\$0	\$0
Revenues*	\$3,048,774	\$3,545,100	\$4,110,300	\$4,871,700
Expenditures				
Hospital & Clinical Services Bureau	\$484,406	\$484,406	\$484,406	\$484,406
Acute Services Bureau	1,599,378	2,095,704	2,095,137	2,154,378
Children's Mental Health Services	233,552	233,552	233,552	233,552
Nursing Homes	703,779	703,779	831,850	832,217
Mental Health Medicaid Benefit	27,659	27,659	27,659	27,659
HPV Vaccine				400,000
Resource Facilitation Services				100,000
Public Home Health Visits/MIAMI	0	0	178,652	200,000
Mental Health Other Services	0	0	129,522	145,000
Children's Special Health Services	0	0	129,522	290,000
Subtotal Expenditures	\$3,048,774	\$3,545,100	\$4,110,300	\$4,867,212
Ending Fund Balance	\$0	\$0	\$0	\$4,488

*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg - Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg - Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	2,780.42	2,875.32	2,886.57	11.25	2,922.01	2,893.32	(28.69)	
Personal Services	126,592,810	143,046,430	149,027,124	5,980,694	146,622,222	156,424,167	9,801,945	15,782,639
Operating Expenses	85,127,745	96,231,503	97,347,869	1,116,366	95,692,160	94,528,504	(1,163,656)	(47,290)
Equipment	501,698	750,699	720,699	(30,000)	680,699	680,699	0	(30,000)
Capital Outlay	53,007	503,007	53,007	(450,000)	53,007	53,007	0	(450,000)
Grants	58,784,995	67,918,182	71,382,315	3,464,133	67,653,953	71,128,713	3,474,760	6,938,893
Benefits & Claims	982,705,001	1,167,533,113	1,199,577,934	32,044,821	1,221,938,686	1,270,225,422	48,286,736	80,331,557
Transfers	0	0	0	0	0	0	0	0
Debt Service	591,429	597,159	597,159	0	660,729	594,729	(66,000)	(66,000)
Total Costs	\$1,254,356,685	\$1,476,580,093	\$1,518,706,107	\$42,126,014	\$1,533,301,456	\$1,593,635,241	\$60,333,785	\$102,459,799
General Fund	307,876,614	375,191,753	380,872,350	5,680,597	391,681,971	406,322,852	14,640,881	20,321,478
State/Other Special	74,251,264	109,411,158	129,220,811	19,809,653	110,337,305	118,697,019	8,359,714	28,169,367
Federal Special	872,228,807	991,977,182	1,008,612,946	16,635,764	1,031,282,180	1,068,615,370	37,333,190	53,968,954
Total Funds	\$1,254,356,685	\$1,476,580,093	\$1,518,706,107	\$42,126,014	\$1,533,301,456	\$1,593,635,241	\$60,333,785	\$102,459,799

The legislature approved \$102.5 million more total funds than requested in the executive budget, including \$20.3 million more general fund. Additional funding for services for individuals drives the difference, with the legislative appropriation for benefits and claims being \$80.3 million higher or 78.3 percent of the total difference.

The legislature approved \$28.2 million more state special revenue, primarily in tobacco settlement funds and tobacco tax funds from the health and Medicaid initiatives account than the executive budget requested. The legislative budget also includes more federal funds (\$54.0 million) than the executive budget, predominantly in federal Medicaid matching funds.

Figure 9 shows the major differences between legislative and executive budgets in general fund and health and Medicaid initiatives state special revenue. The most significant differences are appropriations for the 2009 biennium pay plan, direct care worker wage increases, additional funding for the state Mental Health Services Plan, aging community services, and behavioral inpatient health facility services. Other items listed in Figure 9 are discussed in more detail in the division narratives.

Figure 9
Summary of Major Changes from the Executive Budget

Increases/Reductions from Executive Budget	General Fund	Health and Medicaid Initiatives
General Fund Revenue Increases		
<u>Increases</u>		
2009 Biennium Pay Plan/Retirement Changes	\$9,449,946	\$0
Direct Care Worker Wage Increases	5,530,865	3,264,509
Mental Health Services Plan	5,203,062	0
Aging Community Services	3,743,294	0
Behavioral Health Inpatient Facility Services	3,000,000	0
Home Based Services/Nursing Home IGT Offset	2,789,272	0
Provider Rate Increases	3,143,554	(37,712)
Pregnant Women to 150% of the Poverty Level	0	2,159,646
CHIP Eligibility to 175% of the Poverty Level	0	1,804,764
Mentally Ill Offender Services and Prescription Drugs	1,693,294	0
Revise Medically Needy Income Disregards	1,114,942	0
Funds for Family Planning Services (OTO)	1,073,046	0
Health Care for Health Care Workers	814,900	0
Suicide Hotline/Ombudsman	800,000	0
Drop In Centers for Mentally Ill Persons	743,294	0
Physician Medicaid Rate Increase	520,306	0
SLTC 1-149 FMAP Changes	368,266	(368,266)
Children's System of Care	343,294	0
Expanded CHIP Dental Benefit	200,000	0
Remaining Adjustments	948,887	0
Subtotal Increases	\$41,480,222	\$6,822,941
<u>Reductions and General Fund Revenue Decreases</u>		
Big Sky Rx Premium Assistance	\$0	(\$5,425,424)
Medicaid Caseload Estimates	(6,842,065)	0
CHIP Funding to Tobacco Settlement Funds	0	(5,771,307)
Secure Treatment and Examination Program	(4,085,056)	0
Reduce Increase for DD Waiting List	(3,011,782)	0
Foster care Caseload Adjustments	(2,812,139)	0
Annualize FY 2006 Direct Care Worker Wage Increase	(1,287,321)	1,287,321
Changes to Mental Health Request - DP 33410	(1,120,391)	0
LIEAP General Fund Request	(1,000,000)	0
Methamphetamine Prevention	(1,000,000)	0
Subtotal Reductions	(\$21,158,754)	(\$9,909,410)
Expenditures Over (Under) Executive Budget	\$20,321,468	(\$3,086,469)
Increase General Fund Revenue - Excess Cigarette Tax	\$3,583,890	\$0
Transfer to General Fund		
GRAND TOTAL CHANGE FROM EXECUTIVE	\$16,737,578	(\$3,086,469)

The legislature added \$41.3 million general fund above the executive request. The increases were partially offset by lower Medicaid and foster care costs. The legislature did not approve the executive proposal to refurbish a building on the state hospital campus and initiate a 120 bed secure care and treatment facility for forensic patients, and it lowered the increase in services for the developmental disability services waiting list.

Medicaid caseload reductions are due to ongoing declines in nursing home services and a decline in the number of eligible persons, but also because an aberration in the historic data used to estimate claims payment had "aged out", allowing more accurate projections to be made. Foster care and subsidized adoption costs are anticipated to be \$2.8 million lower because of higher Title IV-E federal participation.

The legislature also appropriated additional revenue from private payments and insurance proceeds for the Montana Veterans' Home (MVH) to offset the use of cigarette tax revenue dedicated to veterans' services. Balances in the veterans' cigarette tax revenue account that exceed \$2.0 million at fiscal year end are transferred to the general fund. The legislative appropriation offsetting cigarette tax funding for MVH increased the deposit to the general fund by \$3.6 million.

Considering the changes to the executive budget request, legislative spending initiatives, and the increased general fund revenue, legislative action on the DPHHS budget was a net \$16.7 million higher over the biennium than the executive budget request.

Biennial Budget Increase

Figure 10 shows the 2009 biennium appropriation compared to the 2007 biennium budget, which includes \$11.0 million in supplemental appropriations funded in HB 3 passed by the regular session. The majority of the increase between biennia is for direct services to individuals - \$364.3 million or 82.5 percent of the total change.

The budget increase between biennia is due to the same cost drivers as the growth between the base budget expenditures and 2009 biennium annual appropriations. Medicaid services account for \$342.0 million of the total funding growth, including \$99.3 million general fund and \$32.3 million state special revenue.

Personal services increases are related to the 2009 biennium pay plan (\$17.1 million total funds, including \$9.4 million general fund) and to appropriations for 112.90 new FTE. Additional FTE for the state institutions administered by DPHHS account for 43.3 percent of the FTE increase with 48.40 new FTE (36.60 for the state hospital). Other major increases in new FTE include:

- o Additional field staff for child protective services – 20.00 FTE
- o Mental health functions, including administration of community services expansions – 9.50 FTE
- o Implementation of federally required payment error rate measurement – 8.50 FTE
- o Chronic disease and tobacco prevention functions - 7.00 FTE
- o Department administration of CHIP – 5.00 FTE

Grant appropriations rise \$24.3 million between biennia. The most significant changes are for:

- o Various public health functions, including tobacco control and prevention, emergency systems preparedness, immunizations, and family planning services - \$12.0 million, including \$1.1 million general fund
- o Community mental health services - \$4.9 million general fund
- o Chemical dependency community prevention services - \$3.7 million federal funds
- o Aging services - \$3.0 million general fund

Goals and Objectives

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, the legislature discussed the DPHHS 2009 biennium budget in the context of division goals and objectives and included language in HB 2 requesting that the divisions report progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. However, the Governor vetoed the reporting language in HB 2. Vetoed language is shown in *italic* in the language section of each division's write-up.

The goals and objectives for DPHHS may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

Figure 10
2007 Biennium Compared to 2009 Biennium
Department of Public Health and Human Services

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Change
FTE	2,780.42	2,893.32		112.90	
Personal Services	\$260,826,304	\$305,451,291	11.4%	\$44,624,987	10.1%
Operating	184,053,251	191,876,373	7.2%	7,823,122	1.8%
Equipment	914,053	1,401,398	0.1%	487,345	0.1%
Capital Outlay	53,007	106,014	0.0%	53,007	0.0%
Grants	118,207,217	142,511,028	5.3%	24,303,811	5.5%
Benefits/Claims	2,105,512,112	2,469,803,356	92.5%	364,291,244	82.5%
Debt Service	1,190,235	1,191,888	0.0%	1,653	0.0%
Total Costs	\$2,670,756,179	\$3,112,341,348	116.5%	\$441,585,169	100.0%
General Fund	\$629,684,824	\$787,195,202	25.3%	\$157,510,378	35.7%
State Special	170,799,080	247,917,830	8.0%	77,118,750	17.5%
Federal Funds	1,870,272,275	2,077,228,316	66.7%	206,956,041	46.9%
Total Funds	\$2,670,756,179	\$3,112,341,348	100.0%	\$441,585,169	100.0%
Percent Increase			16.5%		
*2007 biennium budget includes \$11.0 million general fund for a supplemental appropriation authorized by HB 3.					

Federal Poverty Level

Eligibility for many of the programs administered by DPHHS is related to family income as measured by the federal poverty index, also called the federal poverty level. Figure 11 shows the 2007 federal poverty level and various measurements related to it.

Figure 11 is intended to be a quick reference for readers to determine the income level associated with various program eligibility requirements. For instance, eligibility for CHIP was raised from 150 percent of the federal poverty level to 175 percent and TANF cash assistance payments were increased to 33 percent of the 2007 FPL from the 2005 FPL. Medicaid eligibility depends on the age of a child and is different for parents in low-income families than their children. Generally, family income can be no greater than 40.0 percent of the federal poverty level for parents to be eligible for Medicaid. Income eligibility for pregnant women and children up to the age of 6 is 133 percent of the poverty index, while family income can be no greater than 100 percent of the federal poverty level for children 6 and older.

Figure 11

2007 Federal Poverty Index
Levels of Poverty by Family Size

Family Size	Percent of Federal Poverty Level					
	40%	100%	133%	150%	175%	200%
1	\$4,084	\$10,210	\$13,579	\$15,315	\$17,868	\$20,420
2	5,476	13,690	18,208	20,535	23,958	27,380
3	6,868	17,170	22,836	25,755	30,048	34,340
4	8,260	20,650	27,465	30,975	36,138	41,300
5	9,652	24,130	32,093	36,195	42,228	48,260
6	11,044	27,610	36,721	41,415	48,318	55,220
7	12,436	31,090	41,350	46,635	54,408	62,180
8	13,828	34,570	45,978	51,855	60,498	69,140
Each Additional Person	\$1,148	\$3,480	\$4,628	\$5,220	\$6,090	\$6,960

The federal poverty level is updated annually, usually in February or early March. Historically, the index has increased between two to five percent each year.

Other Legislation

Major bills that have a fiscal impact on DPHHS are summarized below. Some of these bills are discussed in more detail in the agency or program narrative.

Senate and House Joint Resolutions

HJ 26 establishes an interim legislative study and with the goal to develop an implementation plan to provide mental health care in the criminal and juvenile justice systems that includes:

- Mental health care of youth who are adjudicated as delinquent
- Mental health care of convicted adult defendants addressing options for supervising adjudicated youth and convicted adults in the community, including mental health probation options
- Development of a continuum of care encompassing community placements and inpatient treatment options and addressing the interplay between community placements and treatment options
- The availability and use of mental health treatment prior to adjudication of juvenile or conviction of adult defendants

The study was assigned to the Law and Justice Interim Committee.

HJ 44 urges Congress to reauthorize federal funding for the CHIP program in a timely manner and urges the Governor to work with Montana's congressional delegation for timely reauthorization

HJ 48 authorizes a study of private health insurance and publicly funded health insurance programs. The study received the top ranking in the legislative poll and was assigned to the Economic Affairs Interim Committee.

HJ 50 establishes an interim study to:

- Study the ways in which the psychiatric precommitment examination, detention, and treatment provisions of state law have been used across the state, including the number of days that individuals are in precommitment evaluation status in each county
- Determine the amount of money that Montana's county governments have paid for psychiatric precommitment examination, detention, and treatment, including the trends in those costs over time
- Review the number of people committed to the Montana State Hospital pursuant to the provisions of Title 53, chapter 21, part 1, MCA, including the number of people committed from each Montana county

The study was assigned to the Interim Law and Justice Committee.

SJR 5 authorizes the study of acute care and rural emergency medical services, which was assigned to the Children, Families, Health and Human Services Interim Committee.

SJ 6 authorized a study of the juvenile justice system and was assigned to the Law and Justice Interim Committee.

SJR 15 authorizes a study of the impacts of certain services on the health care delivery and was assigned to the Children, Families, Health and Human Services Interim Committee.

House and Senate Bills

House Bill 3 provides a supplemental appropriation of \$11.0 million to DPHHS primarily comprising: 1) \$4.0 million to fund changes in Medicaid; 2) \$6.3 million comprising \$4.7 million for staffing changes at the Montana State Hospital due to a census increase and \$1.6 million at the Montana Developmental Center primarily to address staff overtime; and 3) \$0.8 million for the Child Support Enforcement Division due to a lower federal incentive grant than anticipated and reduced funding due to TANF case load reductions.

House Bill 4 (of the May 2007 Special Session) appropriates funds for capital projects. Several projects for the department were approved including: \$11.6 million general fund for renovation and upgrades to the Montana State Hospital at Warm Springs; \$1.4 million state special revenue for Montana Veterans' Home improvements; \$0.75 million general fund for improvements at the Montana Mental Health Nursing Care Center in Lewistown; and \$60.0 million in general and federal funds for information technology systems improvements throughout the department.

House Bill 13 provides \$94.7 million over the biennium to fund the state employee pay plan of which \$17.1 million funds DPHHS FTE.

House Bill 41 eliminates the statutory restrictions in 90-4-215, MCA on state use of the energy conservation and energy assistance account in the state federal revenue fund. The legislature approved \$1.6 million additional energy assistance and weatherization assistance to Montana households in HB 2.

House Bill 57 requires DPHHS to purchase liability insurance for foster parents providing foster care or therapeutic foster care for a youth under 18 years of age placed by a state agency. The bill appropriates \$140,000 general fund and the legislature appropriated \$140,000 federal funds through HB 2 for the federal Title IV-E match.

House Bill 64 revises the definition of "seriously developmentally disabled" for the purpose of commitment to a community-based residential care facility with the elimination the requirement that an individual have a disability so severe that he or she needs "total care". The fiscal implications of this bill and its effect on the general fund has not yet been determined.

House Bill 77 implements Medicaid provisions of the 2005 Deficit Reduction Act, allowing recovery of payments owed to Medicaid recipients, requiring coordination of eligibility information about Medicaid recipients, and providing penalties for filing false Medicaid claims.

House Bill 98 establishes a "Children's System of Care" account to reduce out-of-home placement of high risk children. The legislation allows up to \$1.0 million of state funds already appropriated for Medicaid services to be deposited to the account rather than reverting to the appropriate fund. DPHHS may administer and deliver services to high-risk children with multi-agency service needs and to provide for their care, protection, and mental, social, and physical development. These state funds may be spent as either Medicaid match or state fund dollars for a service. The fiscal impact of this bill would be to reduce general fund and state special revenue reversions.

House Bill 148 increases the fees to license public swimming pools, bathing places, spas, and wading pools and requires licensing and inspection of public splash decks, water slides, "lazy rivers," and wave pools. The legislature appropriated

\$60,000 in state special revenue spending authority for each year of the biennium to allow DPHHS to recover costs associated with inspections performed by DPHHS employees.

House Bill 156 generally revises insurance laws, with a specific change to bring Montana statutes in compliance with federal requirements for credible coverage for long-term care insurance. DPHHS will be able to implement a section of the federal Deficit Reduction Act of 2005 that allows state Medicaid programs to disregard \$1 of assets for every \$1 of credible long-term care insurance coverage in determining Medicaid eligibility. In the longer term, it is expected that Medicaid long term care costs will rise at a slower rate because there will be a substantial financial incentive for persons to purchase long term care insurance.

House Bill 157 revises statutes governing the CHIP program to exclude the cost of federally required audits from the 10 percent administrative cap and clarifies that funds deposited to a state special revenue fund may be used to pay CHIP health costs.

House Bill 195 revises developmental disabilities services to provide that: 1) an individual may return to high school after graduation if the individual is not 19 years of age; 2) eligible individuals are not disqualified from receiving Medicaid; and 3) cash assistance for services is available to individuals who are developmentally disabled. The bill appropriates general fund of \$0.3 million over the biennium and allows DPHHS to use the funds as state match for federal funds.

House Bill 198 allows the CHIP program to spend up to \$200,000 in state funds for significant dental needs not included in the basic CHIP plan. The legislature appropriated \$200,000 general fund in HB 2 to implement HB 198.

House Bill 278 removes the sunset on the increased genetics program fee assessed on each individual or group disability or health insurance policy. The fee was scheduled to revert to \$.70 from \$1 July 1, 2007. The legislature appropriated \$279,616 state special revenue in FY 2008 and \$288,004 in FY 2009 as a result of the statutory change.

House Bill 406 – transfers \$1.3 million general fund over the biennium to a state special revenue fund and allows DPHHS to establish a grant program for community health centers. Funds may be used as match for federal funds.

House Bill 608 transfers \$1,000,000 general fund to the endowment for the Children's Trust Fund for the 2009 biennium. The revenues of about \$28,000 received as interest would be expended on benefits to neglected and abused children.

House Bill 611 expands and clarifies laws governing fee collection of \$0.10 cents per line per month from subscribers for revenue for Telecommunications Devices for the Deaf. The bill clarifies that all telecommunications service providers assess and collect the fee from subscribers and remit the fee to the Department of Revenue. No additional revenue is anticipated because the fees mostly apply to subscribers that are already using a device upgrading to new wireless systems.

House Bill 743 adds chronic disease programs as an allowable use of tobacco settlement funds for tobacco prevention and cessation programs. The legislature approved state special revenue appropriations of \$2.7 million each year to fund chronic disease programs including primary prevention of diabetes and heart disease, improvement of acute stroke care in rural Montana, comprehensive cancer control, and asthma surveillance and control.

Senate Bill 22 expands CHIP eligibility to 175 percent of the federal poverty level. The legislature appropriated \$3.2 million to fund an estimated enrollment increase of 2,100 children each year.

Senate Bill 45 allows a behavioral health inpatient facility (BHIF) to be freestanding or part of a facility. The bill also allows DPHHS to license the facility and adopt rules governing licensure. Prior to these changes, BHIFs had to be associated with a hospital. The legislature appropriated \$6.7 million in FY 2009 to purchase BHIF services. The appropriation is one time.

Senate Bill 62 increases payments to advisory board members and, through HB 2, provides about \$8,500 to the Disability Services Division and about \$1,000 to the Directors Office in general fund and matching federal funds.

Senate Bill 81 adds psychologist as a professional person, which allows psychologists to participate in processes associated with admission to a mental health facility.

Senate Bill 118 is void due to passage and approval of SB 525, which eliminates the sunset on hospital bed tax that provides that each Montana hospital pay a utilization fee for each inpatient bed day. The utilization fees are deposited in a state special revenue fund and used to match federal funds and then redistributed in total to hospitals in Montana. SB 525 continues the bed day fee that was originally implemented by the 58th legislature in HB 481 and continued by the 59th legislature with SB 120.

Senate Bill 124 removes a circular requirement for the Office of Court Administrator and the Office of State Public Defender to obtain a general fund appropriation to reimburse DPHHS for costs of forensic services at Montana State Hospital so DPHHS can then reimburse the general fund.

Senate Bill 155 establishes an Older Montanans Trust Fund and diverts to the trust in FY 2007 only, unspent health and Medicaid initiatives funds (tobacco tax revenues raised by I-149) appropriated to the Medicare Part D drug assistance premium payment program. DPHHS estimated that \$5.0 million would be deposited to the trust.

Senate Bill 206 directs DPHHS to conduct a study for an employer-sponsored health insurance program for personal care attendants and direct care employees of organizations that receive a majority of their revenue from Medicaid funded services. The bill also allows DPHHS to set up a pilot health insurance program if funding is available. The bill terminates January 1, 2009. The legislature appropriated \$2.6 million in FY 2009 for rate increases for providers who contract with the Senior and Long Term Care Division to provide in-home services and who receive most of their reimbursement from the Medicaid program.

Senate Bill 354 requires DPHHS adjust rates paid for Medicaid physician services beginning in FY 2010 by a percentage of the average of the conversion factors used by the top five insurers or third-party administrators providing disability insurance to the most beneficiaries within the state in January 2007 who use the resource-based relative value scale to determine fees for covered services. The fiscal note estimated a \$2.7 million general fund cost in the 2011 biennium.

Senate Bill 382 allows district courts or courts of limited jurisdiction to establish voluntary mental health treatment courts. The legislature did not make an appropriation to fund mental health courts.

Senate Bill 478 establishes a suicide prevention program and requires that:

- A suicide prevention officer administer the program
- DPHHS produce a suicide reduction plan every biennium
- Operate a suicide crisis hotline available, staffed by paid, trained employees 24 hours a day and 365 days a year

The legislature appropriated \$400,000 general fund each year for the program.

Senate Bill 504 provides respite for foster care and therapeutic foster care homes and could impact benefit costs by about \$281,000 over the biennium.

Senate Bill 505 renews the cervical cancer task force, adds a pediatrician to the task force, and identifies strategies for educating the public regarding availability and efficacy of Human Papillomavirus (HPV) Vaccine. The task force is required to provide a report to the Children, Families and Human Services Interim Committee by August 1, 2008. HB 2 appropriates about \$18,000 general fund to continue the task force and \$400,000 tobacco settlement fund interest for the HPV vaccine.

Senate Bill 525 removes the sunset on the hospital bed tax that provides that each Montana hospital pay a utilization fee for each inpatient bed day. The utilization fees are deposited in a state special revenue fund and used to match federal

funds and then redistributed in total to hospitals in Montana. SB 525 bill continues the bed day fee that was originally implemented by the 58th legislature in HB 481 and continued by the 59th legislature with SB 120. The total appropriation for the hospital utilization fee state special revenue and federal matching funds is \$120.2 million over the biennium.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	453.80	0.00	0.00	453.80	0.00	0.00	453.80	453.80
Personal Services	18,794,817	2,284,231	735,326	21,814,374	2,360,078	1,640,108	22,795,003	44,609,377
Operating Expenses	5,369,298	487,786	92,980	5,950,064	553,532	66,980	5,989,810	11,939,874
Equipment	44,506	0	0	44,506	0	0	44,506	89,012
Capital Outlay	53,007	0	0	53,007	0	0	53,007	106,014
Grants	18,836,204	122,250	0	18,958,454	122,250	0	18,958,454	37,916,908
Benefits & Claims	155,391,482	18,635,663	7,036,745	181,063,890	28,515,985	3,496,745	187,404,212	368,468,102
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$198,489,314	\$21,529,930	\$7,865,051	\$227,884,295	\$31,551,845	\$5,203,833	\$235,244,992	\$463,129,287
General Fund	26,272,234	3,257,095	1,523,608	31,052,937	4,037,108	941,122	31,250,464	62,303,401
State/Other Special	997,726	298,422	100,048	1,396,196	298,700	104,611	1,401,037	2,797,233
Federal Special	171,219,354	17,974,413	6,241,395	195,435,162	27,216,037	4,158,100	202,593,491	398,028,653
Total Funds	\$198,489,314	\$21,529,930	\$7,865,051	\$227,884,295	\$31,551,845	\$5,203,833	\$235,244,992	\$463,129,287

Program Description

The Human and Community Services Division (HCSD) consist of four bureaus, each managing a group of programs. The Public Assistance Bureau administers Montana's Temporary Assistance to Needy Families (TANF) program and provides eligibility services for Medicaid and food stamps. The Early Childhood Services Bureau manages child care subsidy programs, contracts providing child care eligibility, provider recruitment, and technical assistance; administers the Child and Adult Care Food Program (CACFP) reimbursement to child care providers for the cost of meals served to eligible children and adults; and administers the head start state collaboration grant. The Intergovernmental Human Services Bureau (IHSB) administers a number of programs providing housing services, weatherization services, and energy and commodity assistance including: the community services block grant, Low-Income Energy Assistance Program (LIEAP), some Housing and Urban Development (HUD) grants, and United States Department of Agriculture (USDA) food distribution and commodities grants. This bureau also maintains a warehouse facility. The division Fiscal Bureau coordinates implementation and monitoring of the division's budget.

Statutory authority is in Title 53, Chapter 2, MCA, and 45 CFR.

The Program by Function

Figure 12 on page B-22 summarizes funding for the division by major function. Public assistance related programs including eligibility determination, TANF, and food stamps account for 73.3 percent of the funding provided to the division. Child care related services, including child care subsidy programs and the Child and Adult Care Food Programs (CACFP), account for about 16.3 percent of the division's funding, while energy and commodity assistance programs account for the remaining 10.3 percent.

Figure 12
Human and Community Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2006 - Base Budget			Fiscal 2008 - Requested			Fiscal 2009 - Requested		
	General Fund	State Special	Total Funds	General Fund	State Special	Total Funds	General Fund	State Special	Total Funds
Public Assistance:									
Administration - Division	\$212,194	\$538	\$516,851	\$538,403	\$603	\$716,853	\$987,404	\$607	\$1,173,559
Administration - Public Assistance	819,005	2,871	1,740,464	816,142	2,871	727,822	817,296	2,871	731,467
Administration - County	8,252,569	108,138	17,337,777	9,611,018	110,000	10,039,476	9,669,355	110,000	10,101,643
TANF Cash Assistance	358,729	94,725	18,622,395	358,729	94,725	21,135,356	358,729	94,725	21,135,356
TANF Employment, Training, Work	9,381,518	0	12,034,753	9,513,164	0	2,653,235	9,515,708	0	2,653,235
TANF Supportive Services	843,326	0	843,326	843,326	0	683,784	843,326	0	683,784
Children's Asset Test	0	0	0	0	39,944	79,888	0	40,202	80,404
HIFA Insurance Program	0	0	0	0	18,992	37,983	0	19,011	38,022
Refugee Programs	0	0	136,288	0	0	136,288	0	0	136,288
Food Stamp Training & Support Serv	543,757	0	2,190,404	569,361	0	1,672,033	574,062	0	1,670,655
Food Stamp Benefits	0	0	89,998,309	0	0	101,808,718	0	0	110,796,690
TANF Phase IIR	148,930	0	348,212	148,930	0	199,282	148,930	0	199,282
Subtotal Public Assistance	20,560,028	206,272	144,222,233	22,399,073	267,135	139,831,782	22,914,810	267,416	149,341,172
Percent of Total	14.3%	0.1%	100.0%	13.8%	0.2%	86.1%	13.3%	0.2%	86.6%
Energy and Commodity Assistance:									
Administration - Energy and Commodities	19,720	0	4,535,027	19,663	0	4,797,120	19,663	0	4,803,974
Low Income Energy Assistance Gen. Fund	0	0	0	1,000,000	0	0	0	0	0
Energy Ombudsman	0	0	0	300,000	0	0	300,000	0	0
Benefits - Energy and Commodities	35,952	58,853	16,457,528	36,000	296,477	21,424,853	36,000	296,477	18,858,866
Subtotal Energy and Commodity	55,672	58,853	20,992,555	1,355,663	296,477	26,221,973	355,663	296,477	23,662,840
Percent of Total	0.3%	0.3%	100.0%	4.9%	1.1%	94.1%	1.5%	1.2%	97.3%
Early Childhood Services:									
Administration - Child Care	20,000	0	446,763	20,000	0	453,164	20,000	0	454,233
Childcare Matching	3,983,297	0	8,146,100	5,724,947	0	4,162,803	6,411,297	0	4,162,803
Childcare Mandatory	1,313,649	0	3,399,847	1,313,649	0	2,086,198	1,313,649	0	2,086,198
Childcare Discretionary	0	0	8,703,480	0	0	10,730,126	0	0	10,730,208
Childcare Match Prevention & Stabilization	300,711	732,601	1,033,312	200,728	832,584	0	196,168	837,144	0
Quality - Child Care	0	0	2,076,087	0	0	2,076,191	0	0	2,076,236
Head Start	14,932	0	127,636	14,932	0	112,436	14,932	0	112,441
Child and Adult Care Food Program	23,945	0	9,341,301	23,945	0	9,760,489	23,945	0	9,967,360
Subtotal Early Childhood Services	\$5,656,534	\$732,601	\$33,274,526	\$7,298,201	\$832,584	\$29,381,407	\$7,979,991	\$837,144	\$29,589,479
Percent of Total	17.0%	2.2%	100.0%	19.5%	2.2%	78.3%	20.8%	2.2%	77.0%
Total Human and Community Services Div.	\$26,272,234	\$997,726	\$171,219,354	\$31,052,937	\$1,396,196	\$195,435,162	\$31,250,464	\$1,401,037	\$202,593,491
Percent of Total	13.2%	0.5%	100.0%	13.6%	0.6%	85.8%	13.3%	0.6%	86.1%
Percent of Total									
Subtotal Public Assistance	20,560,028	206,272	144,222,233	22,399,073	267,135	139,831,782	22,914,810	267,416	149,341,172
Percent of Total	14.3%	0.1%	100.0%	13.8%	0.2%	86.1%	13.3%	0.2%	86.6%
Energy and Commodity Assistance:									
Administration - Energy and Commodities	19,720	0	4,535,027	19,663	0	4,797,120	19,663	0	4,803,974
Low Income Energy Assistance Gen. Fund	0	0	0	1,000,000	0	0	0	0	0
Energy Ombudsman	0	0	0	300,000	0	0	300,000	0	0
Benefits - Energy and Commodities	35,952	58,853	16,457,528	36,000	296,477	21,424,853	36,000	296,477	18,858,866
Subtotal Energy and Commodity	55,672	58,853	20,992,555	1,355,663	296,477	26,221,973	355,663	296,477	23,662,840
Percent of Total	0.3%	0.3%	100.0%	4.9%	1.1%	94.1%	1.5%	1.2%	97.3%
Early Childhood Services:									
Administration - Child Care	20,000	0	446,763	20,000	0	453,164	20,000	0	454,233
Childcare Matching	3,983,297	0	8,146,100	5,724,947	0	4,162,803	6,411,297	0	4,162,803
Childcare Mandatory	1,313,649	0	3,399,847	1,313,649	0	2,086,198	1,313,649	0	2,086,198
Childcare Discretionary	0	0	8,703,480	0	0	10,730,126	0	0	10,730,208
Childcare Match Prevention & Stabilization	300,711	732,601	1,033,312	200,728	832,584	0	196,168	837,144	0
Quality - Child Care	0	0	2,076,087	0	0	2,076,191	0	0	2,076,236
Head Start	14,932	0	127,636	14,932	0	112,436	14,932	0	112,441
Child and Adult Care Food Program	23,945	0	9,341,301	23,945	0	9,760,489	23,945	0	9,967,360
Subtotal Early Childhood Services	\$5,656,534	\$732,601	\$33,274,526	\$7,298,201	\$832,584	\$29,381,407	\$7,979,991	\$837,144	\$29,589,479
Percent of Total	17.0%	2.2%	100.0%	19.5%	2.2%	78.3%	20.8%	2.2%	77.0%
Total Human and Community Services Div.	\$26,272,234	\$997,726	\$171,219,354	\$31,052,937	\$1,396,196	\$195,435,162	\$31,250,464	\$1,401,037	\$202,593,491
Percent of Total	13.2%	0.5%	100.0%	13.6%	0.6%	85.8%	13.3%	0.6%	86.1%

Program Highlights

Human and Community Services Division Major Budget Highlights	
◆	Total funding for the division increases about 7.5 percent when the 2009 and 2007 biennia are compared comprising an increase in general fund support of about 23 percent, state special revenue of 36 percent, and federal funds of 5 percent
The legislature:	
◆	Approved general fund increases of \$11.6 million primarily to fund: <ul style="list-style-type: none"> • Statewide and present law adjustments - \$4.8 million; • Child care - \$4.2 million • Energy related and ombudsman programs - \$1.6 million; and • The 2009 biennium pay and retirement plans in HB 13, HB 63 and HB 131 - \$1.0 million
◆	Decreased the general fund by \$1.4 million to eliminate the Individual Development Account funding and reduce the \$2.0 million low-income energy request to \$1.0 million
◆	Increased state special revenue \$0.7 million for: <ul style="list-style-type: none"> • A funding switch from the general fund to the preservation and stabilization fund for child care - \$0.2 million • Additional energy assistance from the universal systems benefits fund \$0.5 million
◆	Increased federal revenue authority for: <ul style="list-style-type: none"> • Food stamp benefits - \$33.0 million • A transfer from the federal TANF block grant to the child care development fund for child care - \$5.4 million • Increasing the TANF benefits calculations from 33 percent of the 2005 federal poverty level to the 2007 level - \$2.8 million, as well as to support the Blackfeet Tribe TANF Plan restructuring - \$2.2 million • Spending the low-income energy/conservation accounts - \$1.6 million, which included passing legislation to allow use of the funds • A language appropriation of \$1.0 million to move TANF funds from an Accelerated Employment to Work Training Programs

Program Narrative

Figure 13 is a biennial comparison of the 2009 total legislative budget for HCSD to the total 2007 legislative budget, and shows an increase of \$32.5 million in total funds. Primary increases are discussed in the following sections. A general overview is presented here.

The general fund increases are due to child care, TANF and low-income energy related activities, statewide and present law adjustments, and the pay and retirement plans approved by the legislature in HB 13, HB 63, and HB 131. State special revenue increases are due to a funding switch for child care activities and additional revenue from the universal systems benefits fund for energy. Federal revenue increases are related to food stamp benefits, low-income energy assistance,

Figure 13 2007 Biennium Compared to 2009 Biennium Human and Community Services Division					
Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	453.80	453.80		-	
Personal Services	\$38,784,412	\$44,609,377	9.6%	\$5,824,965	15.0%
Operating	10,975,799	11,939,874	2.6%	964,075	8.8%
Equipment	103,874	89,012	0.0%	(14,862)	-14.3%
Capital Outlay	53,007	106,014	0.0%	53,007	100.0%
Grants	35,912,959	37,916,908	8.2%	2,003,949	5.6%
Benefits/Claims	344,803,030	368,468,102	79.6%	23,665,072	6.9%
Debt Service	552	0	0.0%	(552)	-100.0%
Total Costs	\$430,633,633	\$463,129,287	100.0%	\$32,495,654	7.5%
General Fund	\$50,689,251	\$62,303,401	13.5%	\$11,614,150	22.9%
State Special	2,058,684	2,797,233	0.6%	738,549	35.9%
Federal Funds	377,885,698	398,028,653	85.9%	20,142,955	5.3%
Total Funds	\$430,633,633	\$463,129,287	100.0%	\$32,495,654	7.5%

child care, and TANF related programs. However, there is an anomaly in the federal funding increase. Figure 12 shows a \$20.0 million increase in federal funds, but the legislature actually appropriated \$32.0 million for just the Food Stamp Program in the 2009 biennium. The anomaly exists because the FY 2007 legislative appropriation was based upon an executive budget of nearly \$55.0 million comprising \$22.0 million in FY2006 and \$33 million for FY 2007. The authority was not needed and the executive requested a total of nearly \$33.0 million for the 2009 biennium - \$11.8 million in FY 2008 and \$20.7 million in FY 2009. The large, unused portion of the FY 2007 appropriation remains in the 2007 biennial total in Figure 12, which skews the comparison to the appropriation approved by the legislature for the 2009 biennium.

Legislative Changes to the Executive Budget

Legislative changes to the original executive budget presented in HB 2 include an increase in total funds of over \$2.3 million for the legislatively approved 2009 biennial pay plan that partially offsets reductions of \$3.1 million:

1. \$1.7 million in federal TANF block grant funds to adjust to revised, lower estimates in the TANF caseload for benefit payments;
2. \$1.0 million in general fund for low-income energy assistance rather than the executive's \$2.0 million; and
3. \$0.4 million in general fund to eliminate the request for individual development accounts.

Summary of Benefits and Grants

As shown in Figure 14 on page B-25, the summary of benefits and grants, the federally funded food stamp benefits comprise nearly 60 percent of the division's benefit and claims activity with other energy support comprising about 10 percent, and TANF cash assistance and various child care support activities comprising about 13 and 17 percent, respectively. Grants are expended over the biennium primarily for TANF employment and training (51 percent), food stamps, energy, and commodity projects (18 percent), and child care activities (31 percent).

Figure 14
Human and Community Services Division
Summary of Benefit and Grant Costs and Funding

Program	Fiscal 2006 Base				Fiscal 2008 Request				Fiscal 2009 Request				Percent Total
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	
Benefits & Claims													
TANF Cash Assistance	\$358,729	\$94,725	\$18,622,395	\$19,075,849	\$358,729	\$94,725	\$21,135,356	\$21,588,810	\$358,729	\$94,725	\$21,135,356	\$21,588,810	11.5%
TANF Employment, Training	1,450,579	0	410,246	1,860,825	1,455,018	0	405,807	1,860,825	1,455,103	0	405,722	1,860,825	1.0%
TANF Supportive Services	843,326	0	0	843,326	843,422	0	683,784	1,527,206	843,326	0	683,880	1,527,206	0.8%
Food Stamp Training/Support	21,820	0	66,076	87,896	22,327	0	65,569	87,896	22,478	0	65,418	87,896	0.0%
Food Stamps	0	0	89,998,309	89,998,309	0	0	101,808,718	101,808,718	0	0	110,796,690	110,796,690	59.1%
FAIM Phase IIR	143,391	0	191,871	335,262	143,391	0	191,871	335,262	143,391	0	191,871	335,262	0.2%
Energy and Commodities Adm.	3,402	0	779,041	782,443	3,316	0	809,127	812,443	0	0	812,443	812,443	0.4%
Energy & Commodities Benefits	34,836	57,026	15,854,681	15,946,542	35,101	289,076	20,890,047	21,214,225	35,030	288,488	18,350,707	18,674,225	10.0%
Energy Ombudsman	0	0	0	0	300,000	0	0	300,000	300,000	0	0	300,000	0.2%
LIEAP General Fund Benefits	0	0	0	0	1,000,000	0	0	1,000,000	0	0	0	0	0.0%
Child and Adult Food Program	20,811	0	8,098,005	8,118,816	20,848	0	8,497,968	8,518,816	20,910	0	8,703,906	8,724,816	4.7%
Childcare Matching	3,965,199	0	4,143,890	8,109,089	5,703,518	0	4,147,221	9,850,739	6,388,856	0	4,148,233	10,537,089	5.6%
Childcare Mandatory	1,313,649	0	2,086,198	3,399,847	1,313,649	0	2,086,198	3,399,847	1,313,649	0	2,086,198	3,399,847	1.8%
Childcare Discretionary	0	0	5,454,813	5,454,813	0	0	7,380,734	7,380,734	0	0	7,380,734	7,380,734	3.9%
Childcare Quality	0	0	345,057	345,057	0	0	345,057	345,057	196,168	837,144	0	345,057	0.2%
Childcare Prevent & Stabilization	300,711	732,601	0	1,033,312	200,728	832,584	0	1,033,312	\$11,077,641	\$1,220,357	\$175,106,214	\$187,404,212	0.6%
Total Benefits & Claims	\$8,456,454	\$884,352	\$146,050,580	\$155,391,386	\$11,400,048	\$1,216,385	\$168,447,456	\$181,063,890					100.0%
check				66,595,184				27,549,823				35,679,851	
Grants													
TANF Employment & Training	7,490,519	-	2,118,432	9,608,951	7,513,441	-	2,095,510	9,608,951	7,513,880	-	2,095,071	9,608,951	50.7%
Food Stamp Training/Support	340,131	-	1,030,009	1,370,140	348,044	-	1,022,096	1,370,140	350,398	-	1,019,742	1,370,140	7.2%
Energy and Commodities Adm.	8,208	-	1,879,429	1,887,637	7,847	-	1,914,790	1,922,637	-	-	1,922,637	1,922,637	10.1%
Energy & Commodities Benefits	197	323	89,813	90,333	161	1,326	95,846	97,333	183	1,504	95,647	97,333	0.5%
Refugee	-	-	136,288	136,288	-	-	136,288	136,288	-	-	136,288	136,288	0.7%
Childcare Discretionary	-	-	3,091,880	3,091,880	-	-	3,172,130	3,172,130	-	-	3,172,130	3,172,130	16.7%
Childcare Quality	-	-	1,709,376	1,709,376	-	-	1,709,376	1,709,376	-	-	1,709,376	1,709,376	9.0%
Ilead Start	-	-	112,705	112,705	-	-	112,705	112,705	-	-	112,705	112,705	0.6%
Child and Adult Food Program	2,125	-	826,769	828,894	2,029	-	826,865	828,894	1,987	-	826,907	828,894	4.4%
Total Grants	\$2,125	\$323	\$10,994,701	\$18,836,204	\$7,871,522	\$1,326	\$11,085,605	\$18,958,454	\$7,866,447	\$1,504	\$11,090,503	\$18,958,454	100.0%

Legislative Discussion

The legislature addressed the HCSD budget in the context of the division's presentation of its goals and measurable objectives with a focus on: 1) the deficit position of the federal TANF block grant, 2) the potential impact of the federal Deficit Reduction Act of 2005 on the TANF program; 3) enhancing the Child Care Program; and 4) the low-income energy and weatherization assistance and efforts in housing.

Temporary Assistance for Needy Families (TANF)

One of the largest programs administered by the division is the TANF program. TANF funds are used to support a number of programs and spending initiatives that are consistent with federal guidelines on the use of these funds.

The legislature funded the TANF programs at the same level as requested by the Governor. However, the legislature:

- o Reassigned \$504,436 in federal funds from the TANF block grant category of Accelerated Employment Services to the contracted Work Training Programs and related anti-poverty efforts that the legislature believed would ultimately provide stronger services throughout the state
- o Asked the division to expand their goals with measurable objectives to address: 1) the management of the potentially deficit TANF block grant, and 2) the tracking and reporting on the changing federal Deficit Reduction Act (DRA) regulations that could negatively impact the TANF program by the close of the 2009 biennium

Figure 15 shows the status of the TANF block grant at the close of the 2007 session with items in bold text representing legislative action.

Figure 15
Summary of Temporary Assistance for Needy Families (TANF) Block Grant
Fiscal 2006 Through 2011
Items in bold print reflect appropriations contained in HB 2.

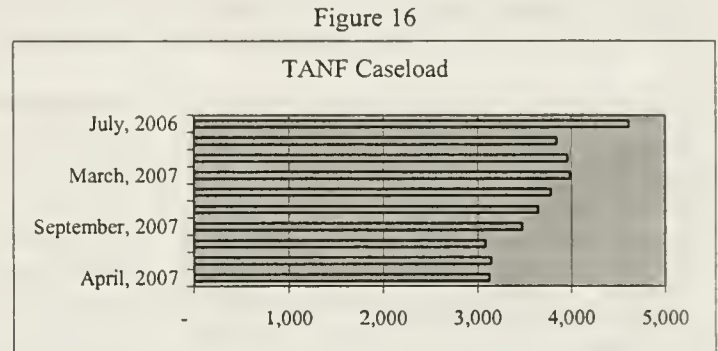
	Actual	Dept. Est.	Requested	Requested	Projected	Projected
State Fiscal Year	SFY 2006	SFY 2007	SFY 2008	SFY 2009	SFY 2010	SFY 2011
Actual/Projected Balance of Grant	\$29,916,399	\$34,181,963	\$30,178,473	\$23,140,645	\$15,384,950	\$7,647,382
Grant Amount	<u>40,669,944</u>	<u>39,171,817</u>	<u>39,171,817</u>	<u>38,039,116</u>	<u>38,039,116</u>	<u>38,039,116</u>
Beginning Balance	\$70,586,343	\$73,353,780	\$69,350,290	\$61,179,761	\$3,424,066	45,686,498
Expenditures:						
Cash Assistance including NP 20020	\$17,275,019	\$15,682,198	\$19,168,992	\$19,168,992	\$19,168,992	\$19,168,992
Benefits with Child Support Passthrough	<u>615,795</u>	<u>615,795</u>	<u>615,795</u>	<u>615,795</u>	<u>615,795</u>	<u>615,795</u>
Total Benefits	\$17,890,814	\$16,297,993	\$19,784,787	\$19,784,787	\$19,784,787	\$19,784,787
Total Cost Allocation Expenditures						
Total cost allocation	\$6,231,097	\$5,936,050	\$6,107,232	\$6,292,399	\$6,474,271	\$6,661,598
Other TANF uses:						
Blackfeet benefit - NP 20023	0	513,278	684,370	684,370	684,370	684,370
Blackfeet Tribal New contract - NP 20023		225,400	450,800	450,800	450,800	450,800
Direct Admin	\$11,599	\$0	\$0	\$0	\$0	\$0
TANF System in statewide IT proposal	0	0	2,600,000	2,200,000	2,000,000	1,800,000
CHIMES COSTS	0	1,900,000	0	0	0	0
SFY 2006 High-Performance Bonus Expenditure:	13,479	2,063,221	200,000	0	0	0
Work Operator and OPA Improvements	114,569	385,431	0	0	0	0
Child Care/Caretaker Relatives NP 20006	0	0	683,784	683,784	683,784	683,784
Adult Basic Education	125,000	125,000	0	0	0	0
Food Banks	100,000	100,000	100,000	100,000	100,000	100,000
Work Participation and Supports	940,036	1,850,000	1,850,000	1,850,000	1,850,000	1,850,000
Achievement Awards (WSP)	688,908	835,000	835,000	835,000	835,000	835,000
Accelerated Employ. Serv - Language Change	301,208	534,698	504,436	504,436	504,436	504,436
Low-Income Housing	199,282	0	0	0	0	0
Emerg Assist & Prg 03 Foster Care Benefits	<u>2,353,874</u>	<u>2,360,000</u>	<u>2,360,000</u>	<u>2,360,000</u>	<u>2,360,000</u>	<u>2,360,000</u>
Total other TANF uses	\$4,847,955	\$10,892,028	\$10,268,390	\$9,668,390	\$9,468,390	\$9,268,390
TOTAL EXPENDITURES	\$28,969,866	\$33,126,071	\$36,160,409	\$35,745,576	\$35,727,448	\$35,714,775
Transfers:						
Child Care Transfers - includes DP 20012	\$5,436,288	\$8,051,010	\$8,051,010	\$8,051,010	\$8,051,010	\$8,051,010
Title XX / Child and Family Services	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>
	\$7,434,514	\$10,049,236	\$10,049,236	\$10,049,236	\$10,049,236	\$10,049,236
Expenditures and Transfers	\$36,404,380	\$43,175,307	\$46,209,645	\$45,794,812	\$45,776,684	\$45,764,011
Ending Balance	\$34,181,963	\$30,178,473	\$23,140,645	\$15,384,950	\$7,647,382	(\$77,513)

The initial executive budget projected that the TANF block grant would be in a deficit position of \$3.0 million by the end of FY 2011. By January 2007 the projected deficit had decreased to \$1.1 million as the TANF caseload decreased. The division reduced projections for cash assistance payments in both FY 2008 and FY 2009 and lowered the executive's request (DP 20020) from the original \$4.5 million to about \$2.8 million. TANF caseloads continued to decrease and, as shown above in Figure 14, the projected deficit at the end of the session was under \$100,000. The legislature did not make additional reductions to the request for cash assistance because unused cash assistance authority remains in the TANF fund for future use and to allow for possible changes to the Montana economy that could reduce employment and increase the TANF caseload.

Figure 16 shows the decrease in TANF case loads from 4,610 in June of 2006 to 3,140 by February of 2007. The figures in the chart include the cases acquired in the restructuring of the Blackfeet Tribal TANF Plan that is discussed in the following paragraphs.

Restructuring of the Blackfeet Tribal TANF Plan

The legislature approved \$2.3 million federal authority for the 2009 biennium to support the restructuring of the Blackfeet Tribal TANF plan and provide necessary authority in general fund/MOE and TANF federal funds.



The Blackfeet Tribe renegotiation re-defines the population to be served by the Blackfeet Tribe as “eligible families that include all enrolled Blackfeet members in the assistance unit.” The state TANF program assumes non-enrolled clients. The division estimates a caseload of 293 cases at an estimated annual cost of \$1.5 million to the TANF block grant based upon an estimated benefit level of \$430 per month as calculated at 33 percent of the 2007 federal poverty level, the rate increase indicated in DP 20020. The funding also allows the state to contract back with the Blackfeet tribe for the TANF work readiness component (WoRC) contract programs. Of the 293 new cases, it is estimated that 196 cases would participate in work activities. The estimated annual cost of the WoRC contract for 196 families would be \$450,800. Under the modified plan the Blackfeet would not retain the associated general fund/MOE. The department retains \$0.8 million general fund in the base, resulting in a request of \$1.1 million each year rather than the total \$1.9 million.

The Federal Deficit Reduction Act of 2005

Although the basics of the TANF block grant funding and MOE expenditures remain the same, the DRA imposed changes in the TANF definitions, most of which relate to the method states use to calculate successful outcomes for moving clients into the work environment (referred to as work participation rates), and the penalties to be imposed on states that are unable to meet the new expectations.

Work Participation Penalties

If a state fails to meet the work participation rates, it is subject to a penalty equal to up to a 5 percent reduction of its federal grant the first year, and an additional 2 percent each successive year the rate is not met, up to a total of 21 percent of the block grant. In addition, the state would also be required to: (1) backfill its federal penalty with state funds; and (2) increase its maintenance-of-effort (MOE) spending by 5 percent. For Montana, a 5 percent penalty to a \$38 million block grant would result in a penalty of \$1.9 million general fund with another \$1.9 million of general fund required to backfill the penalty amount for a total impact on the general fund of \$3.8 million. An additional 2 percent penalty would be about \$760,000 each year or \$1.5 million total general fund. The penalty requiring Montana to increase MOE dollars from its current 75 percent to 80 percent would cost about \$0.8 million general fund.

The state is unlikely to be assessed a penalty before FY 2009 or be required to pay a penalty before 2010. Even though the 2009 Legislature could face the penalty dilemma, in view of the large amount of general fund at risk, legislators in this session requested that the division provide a plan to track DRA regulations, consult with state and community partners, and report changes and recommended actions to the Legislative Finance Committee.

The Child Care Program

The legislature approved federal funding of: 1) \$1.0 million for the Child and Adult Food Care Program; 2) \$4 million to transfer from the TANF block grant to child care; and 3) \$1.4 million in federal TANF block grant funds to support child care for working relatives. The legislature also approved general fund support of \$4.2 million in support of child care rates, Federal Poverty Index adjustments, and caseload increases.

The legislature also addressed caretaker relative issues in SB 31, providing for continued custody of a child by the child's caretaker relative following voluntary surrender of the child by a parent of the child under circumstances indicating abandonment.

Child care services are administered by the division with support from community offices throughout the state. Legislative appropriations support subsidies for child care to low-income families with some funds used in support of parenting education and family strengthening activities. Montana currently provides services to families at or below 150 percent of the federal poverty level (FPL) and employs a sliding fee scale as required by federal law to determine the parent's share of the costs. As the family income approaches 50 percent of the FPL their share of the costs increases. Once the family income exceeds the 150 percent of the FPL, the family is ineligible for the program

Figure 17 shows the history of Child Care Funding

Figure 17 Agency-wide Summary of Child Care Funding by Funding Stream Fiscal 2004 Through 2009						
Description	Actual SFY 2004	Actual SFY 2005	Actual SFY2006	Appropriated SFY 2007	Appropriated SFY 2008	Appropriated SFY 2009
General Fund:						
Maintenance of Effort	\$1,313,990	\$1,313,990	\$1,313,649	\$1,313,990	\$1,313,649	\$1,313,649
Matching - Required	1,645,426	637,872	1,583,297	1,649,639	1,916,057	1,976,119
Matching Restricted Discretionary			2,400,000	0	2,400,000	2,400,000
Matching			0	32,941	1,408,890	2,035,178
CCDF Administrative (HCSD)			20,000	20,000	20,000	20,000
Prevent. & Stabilization			300,711	299,352	200,728	200,728
Other (non HCSD)	93,337	93,337	93,337	93,337	93,337	93,337
Total General Fund	3,052,753	2,045,199	5,710,994	3,409,259	7,352,661	8,039,011
Annual Percent Change		-33.0%	179.2%	-40.3%	115.7%	9.3%
Non General Fund Match:						
State Spec. Revenue (PSF)	557,000	1,443,000	732,601	731,267	832,584	832,584
Other	11,250					
Federal Funds:						
CCDF Administrative (non HCSD)	687,364	687,364	156,253	149,987	146,817	147,005
CCDF Administrative (HCSD)	558,450	637,144	426,757	440,300	453,368	454,444
CCDF Mandatory	2,086,199	3,086,400	2,086,198	2,087,242	2,086,198	2,086,198
CCDF Match	5,241,053	6,196,101	4,162,803	4,162,803	4,162,803	4,162,803
CCDF Discretionary (non HCSD)	567,068	568,000	534,199	490,789	540,069	540,069
CCDF Discretionary	8,826,112	13,556,317	10,779,567	15,816,272	12,806,362	12,806,444
Total Federal Funds	17,966,246	24,731,326	18,145,777	23,147,393	20,195,617	20,196,963
Total Expenditures	\$21,587,249	\$28,219,525	\$24,589,372	\$27,287,919	\$28,380,862	\$29,068,558
Percent Change		30.7%	-12.9%	11.0%	4.0%	2.4%

Low Income Energy and Weatherization Programs

Low-income Energy Assistance (LIEAP) benefit payments cover part of the household's total heating costs for the winter, and have historically averaged from under \$375 to a high of \$635 for the 2006 heating season. Weatherization programs focus on education and support for weatherization needs to a home. Services range from consultation to installing insulation, weather stripping, and winterization of doors and windows. The legislature also continued funding for energy ombudsman work throughout the state.

The Legislature:

1. Approved the executive request to spend federal revenue of \$1.6 million from the Exxon energy conservation and the energy conservation stripper accounts and passed HB 41 to change 90-4-215, MCA to allow the funds to be spent;
2. Appropriated \$0.6 million general fund to support energy assistance and weatherization projects with the energy ombudsman support; and
3. Approved a present law adjustment of \$5.8 million over the biennium comprising \$0.4 million in state special revenue from the state special universal system benefits fund, which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities, and \$5.4 million in federal revenue to support anticipated increases in federal grant funds; and
4. Reduced the \$2.0 million executive request for low-income energy assistance by \$1.0 million in general fund

Additionally, the legislature expanded the Governor's energy emergency power concerning the price of energy through SB 60, which allows the Governor to use emergency funds in events where the price of energy results in curtailment of essential services and is a threat to the health or safety of the segments of the population who are most in need due to their economic, social, or medical circumstances.

The following Figure 18 shows legislative support of low-income energy and weatherization programs and the historic high for federal support that Montana received in FY 2006. There is further discussion in the present law and new proposal section of this write-up.

Figure 18

Low Income Energy Assistance and Weatherization Funding Based Upon the State Fiscal Years
 Bold Figures Include New Proposals Approved by the Legislature

Fund		FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Appropriation FY 2007	Appropriated FY 2008	FY 2009
Energy / Benefit Assistance									
02974	Univ. Low Income Energy Asst.	\$148,095	\$4,456	\$22,249	\$55,622	\$0	\$0	\$0	\$0
03103	Temporary Assistance for Needy Families	0	0	500,000	500,000	0	0	0	0
03199	Oil Overcharge: Stripper	0	0	0	157,829	(109,648)	0	0	0
03572	LIEAP Grant (includes DP 20005 at \$2.3 m)	8,060,294	8,806,647	8,998,226	9,684,487	14,623,482	8,837,814	9,975,447	9,975,447
03572	LIEAP Tribal - passed through state	0	0	0	0	314,455	0	0	0
Dir. Fed.	LIEAP Tribal - funding direct to tribes*	2,096,725	2,089,708	2,174,986	2,056,342	2,762,965	2,258,128	2,258,128	2,258,128
03717	Jobs & Growth Tax Relief Act	0	0	1,272,900	0	0	0	0	0
03717	Jobs & Growth Tax Relief Act - to Tribes	0	0	227,100	0	0	0	0	0
	Subtotal Energy Assistance	\$10,305,114	\$10,900,811	\$13,195,461	\$12,454,280	\$17,591,254	\$11,095,942	\$12,233,575	\$12,233,575
03199	Oil Overcharge: to MT Fd Bank for trans.	7,500	7,500	0	0	0	0	0	0
Weatherization Programs									
02974	Univ. Low-Income Asst. (DP 20005 - \$0.2 m)	\$97,223	\$60,960	\$25,724	\$7,804	\$59,324	\$203,797	\$296,447	\$296,447
03066	Bonneville Power Admin.	290,617	257,453	225,480	350,565	574,561	427,113	442,408	442,147
03199	Oil Overcharge: Stripper	125,596	2,311	130	0	0	0	0	0
03204	Ener. Conservation: Exxon** (DP 20001)	102,320	0	0	0	0	1,000,000	550,000	550,000
03254	Oil Overcharge: Exxon	82,461	20,205	0	0	0	0	0	0
03323	Ener. Conservation: Stripper** (DP 20001)	53,941	0	0	0	0	450,000	250,000	250,000
03390	Regional Ener Asst. Challenge	610,634	427,520	0	1	0	0	0	0
03552	DOE Weatherization (DP 20005 at \$0.1 m)	1,917,205	2,569,775	2,325,326	2,567,922	2,582,935	2,568,309	2,623,349	2,623,349
03572	LIEAP Grant spent on Wx and Client Ed.	3,691,893	2,906,207	3,192,614	3,122,143	2,248,800	3,257,285	2,119,652	2,119,652
03717	Jobs & Growth Tax Relief Act	0	0	499,999	1	0	0	0	0
08125(2326)	MPC/NW Ener Free Weatherization***	1,348,923	1,164,608	1,308,697	1,200,912	1,423,764	1,532,323	1,663,007	1,547,843
	SubTotal Weatherization & Client Ed	\$ 8,320,813	\$ 7,409,039	\$ 7,577,970	\$ 7,249,348	\$ 6,889,384	\$ 9,438,827	\$ 7,944,863	\$ 7,829,438
	Subtotal Energy & Weatherization	18,633,427	18,317,350	20,773,431	19,703,628	24,480,638	20,534,769	20,178,438	20,063,013
General Fund Support									
1100	Energy Assistance (DP 20908)	0	0	0	784,796	177,246	412,596	412,596	412,596
1100	General Fund Support - Tribal****	0	0	0	118,459	87,404	87,404	87,404	87,404
1100	Energy Ombudsman (DP 20011)	0	0	0	0	300,000	300,000	300,000	300,000
1100	General Fund Support	0	0	0	0	235,350	0	0	0
	Subtotal	\$0	\$0	\$0	\$903,255	\$800,000	\$800,000	\$800,000	\$800,000
	Total Energy, Weatherization and Gen. Fund	\$18,633,427	\$18,317,350	\$20,773,431	\$20,606,883	\$25,280,638	\$21,334,769	\$20,978,437	\$20,863,013

Notes:
 * LIEAP - Tribal - These funds do not flow through state government, rather these funds are provided directly to the Tribes.
 ** Energy Conservation funding is provided as a biennial appropriation but shown in the table divided between the two years.
 *** Montana Power Company, Northwestern Energy - energy assistance funds are not appropriated by the state.
 **** Tribal governments received 17.4806 percent (15.14 percent prior to 2006) of the energy assistance grant funds provided to Montana. It is anticipated that this percentage of general fund provided to support low-income energy assistance will be allocated to tribes.

Other Anti-Poverty Projects

Food Stamps

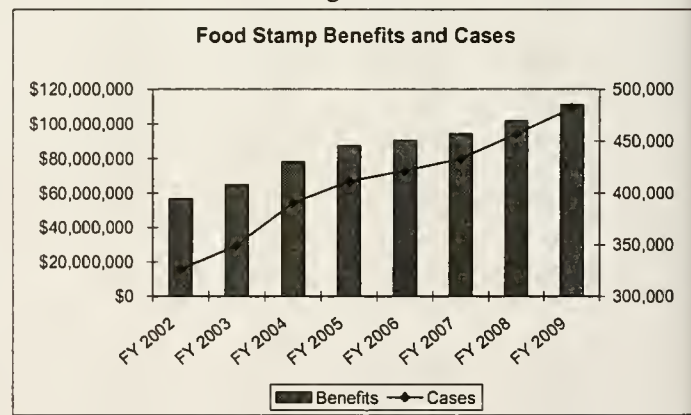
The legislature approved \$32.6 million for the Food Stamp Program comprising an increase of \$12 million federal funds in FY 2008 and \$21 million in FY 2009 to accommodate the anticipated caseload and poverty level adjustments in food stamp benefits. The Food Stamp Program is one of the largest expenditures of the state. The FY 2006 base amount for benefits was \$90 million and about 422,000 cases were served. The division estimates that the program could grow to \$101 million in FY 2008 and \$110 million in FY 2009.

The legislature also passed HB 782 allowing DPHHS, rather than the client, to repay federal claims when a department error results in the over-payment of food stamp benefits.

Goal, Objectives, and a Biennial Comparison

In addition to continued professional achievement of mandated federal goals and requirements, the legislature asked the division to add some goals and objectives to track the Deficit Reduction Act and the TANF block grant, which the division did during the session.

Figure 19



In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, the legislature included language in HB 2 requesting the division to report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed the language in HB2.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Human And Community Serv						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 26,272,234	13.2%	\$ 31,052,937	13.6%	\$ 31,250,464	13.3%
01100 General Fund	26,272,234	13.2%	31,052,937	13.6%	31,250,464	13.3%
02000 Total State Special Funds	997,726	0.5%	1,396,196	0.6%	1,401,037	0.6%
02375 6901-02 Indrct Activity Prog 02	111,547	0.1%	113,474	0.0%	113,478	0.0%
02688 6901-Tanf Overpayments	94,725	0.0%	94,725	0.0%	94,725	0.0%
02698 69010-Prevention&Stabilization	732,601	0.4%	832,584	0.4%	837,144	0.4%
02772 Tobacco Hlth & Mediced Initiative	-	-	58,936	0.0%	59,213	0.0%
02974 Univ Low Income Energy Assistance	58,853	0.0%	296,477	0.1%	296,477	0.1%
03000 Total Federal Special Funds	171,219,354	86.3%	195,435,162	85.8%	202,593,491	86.1%
03066 81.042 Bpa	402,908	0.2%	442,508	0.2%	442,347	0.2%
03096 Discretionary Child Care	10,779,567	5.4%	12,809,123	5.6%	12,812,408	5.4%
03109 Tanf Benefits	21,474,912	10.8%	24,671,657	10.8%	24,671,657	10.5%
03135 Hopwa Help Plus	-	-	966,000	0.4%	-	-
03204 Energy Conservation: Exxon	-	-	1,100,000	0.5%	-	-
03236 Child Nutrition	8,850,413	4.5%	9,240,986	4.1%	9,447,449	4.0%
03250 Child Care Mandatory/Moe	2,086,198	1.1%	2,086,198	0.9%	2,086,198	0.9%
03251 Child Care Admin	426,763	0.2%	481,049	0.2%	498,563	0.2%
03252 Child Care Matching	4,162,803	2.1%	4,162,803	1.8%	4,162,803	1.8%
03323 Energy Conservation: Stripper	-	-	500,000	0.2%	-	-
03382 03 Indirect Activity Prog 02	10,024,538	5.1%	11,203,877	4.9%	11,634,473	4.9%
03467 6901-Homeless Mgmt Info System	-	-	66,980	0.0%	66,980	0.0%
03519 93.045 - Aging Meals 100%	38,758	0.0%	39,846	0.0%	41,183	0.0%
03523 93.566 - Refugee Soc. Serv	100,794	0.1%	100,794	0.0%	100,794	0.0%
03539 93.600 Headstart	112,704	0.1%	112,436	0.0%	112,441	0.0%
03543 6901-Foodstamp Outreach 10.561	650	0.0%	650	0.0%	650	0.0%
03544 10.561 - Fs E & T - 50%	217,002	0.1%	217,002	0.1%	217,002	0.1%
03545 10.561 - Fs E & T - 100%	275,044	0.1%	279,611	0.1%	283,270	0.1%
03546 10.561 - Fs Adm - Fed Exp 50%	1,153,951	0.6%	1,194,422	0.5%	1,205,705	0.5%
03547 10.568 - Emerg Food Assist 100	141,147	0.1%	150,939	0.1%	154,748	0.1%
03548 10.569 - Food Distr - Fed Exp	1,714,461	0.9%	1,759,009	0.8%	1,769,620	0.8%
03550 14.231 - Emerg Shelter - Hud 5	388,568	0.2%	403,000	0.2%	403,000	0.2%
03552 81.042 - Weather Ben 100%	2,522,625	1.3%	2,628,445	1.2%	2,634,661	1.1%
03571 93.566 - Off Ref Reset Adm 10	35,494	0.0%	35,494	0.0%	35,494	0.0%
03572 93.568 - Lieap Blk Grt Adm	11,765,182	5.9%	14,255,100	6.3%	14,269,640	6.1%
03573 93.569 - Csbj Adm	3,034,833	1.5%	3,036,836	1.3%	3,039,276	1.3%
03580 6901-93.778 - Med Adm 50%	175,239	0.1%	242,394	0.1%	250,339	0.1%
03669 Doe Region 8	91,534	0.0%	91,534	0.0%	91,534	0.0%
03677 6901-Cacfp 10.558 & 10.560	466,943	0.2%	536,461	0.2%	549,284	0.2%
03678 6901-Food Stamp Benefits	89,998,309	45.3%	101,808,718	44.7%	110,796,690	47.1%
03679 6901-Hopwa Cfda#14-241	422,348	0.2%	422,348	0.2%	422,348	0.2%
03965 Csfj	355,666	0.2%	388,942	0.2%	392,934	0.2%
Grand Total	\$ 198,489,314	100.0%	\$ 227,884,295	100.0%	\$ 235,244,992	100.0%

The Human and Community Service Division (HCSD) is supported primarily by federal funds, which comprise 86 percent of the total funding. General fund provides 13 percent of the division's funding. General fund support is primarily used to achieve required TANF and child care MOE requirements and match federal programs such as Medicaid and food stamp eligibility determination, and child care benefits. State special revenue is comprised of the preservation and stabilization fund, I-149 funds, and the universal systems benefits fund on energy and weatherization.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				3,159,373					3,238,409
Vacancy Savings				(878,142)					(881,331)
Inflation/Deflation				96,886					101,111
Fixed Costs				(130,068)					(129,861)
Total Statewide Present Law Adjustments				\$2,248,049					\$2,328,328
DP 6015 - State Motor Pool Rate Change									
0.00	(1,769)	0	(2,930)	(4,699)	0.00	(1,825)	0	(3,023)	(4,848)
DP 20005 - Intergovernmental Human Services Bureau PL Adj									
0.00	0	237,624	2,682,021	2,919,645	0.00	0	237,624	2,682,021	2,919,645
DP 20008 - HCSD Rental Increases for Adm. and County OPA's									
0.00	189,272	0	219,433	408,705	0.00	218,089	0	252,079	470,168
DP 20009 - Child & Adult Care Food Program Historical PL									
0.00	0	0	400,000	400,000	0.00	0	0	606,000	606,000
DP 20012 - Child Care Discretionary Present Law Adj									
0.00	0	0	2,006,171	2,006,171	0.00	0	0	2,006,171	2,006,171
DP 20016 - Child Care FPI, Market Rate, Caseload Increase									
0.00	1,741,650	0	0	1,741,650	0.00	2,428,000	0	0	2,428,000
DP 20019 - Food Stamp Benefits									
0.00	0	0	11,810,409	11,810,409	0.00	0	0	20,798,381	20,798,381
Total Other Present Law Adjustments									
0.00	\$1,929,153	\$237,624	\$17,115,104	\$19,281,881	0.00	\$2,644,264	\$237,624	\$26,341,629	\$29,223,517
Grand Total All Present Law Adjustments				\$21,529,930					\$31,551,845

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 20005 - Intergovernmental Human Services Bureau PL Adj - The legislature provides spending authority of \$5.4 million federal revenue over the biennium to accommodate an increase in federal grant funds and just under \$0.5 million for an increase in the state special revenue universal systems benefits fund, which comes from consumer charges on utility bills and is passed on to energy assistance and weatherization activities.

The increase includes authority for truck driver overtime of \$3,000 each year to cover delivery to senior centers and food banks in remote parts of the state, an increase in the average household benefits of approximately \$102 over the base, and for statewide Human Resource Development Council's (HRDC's) to provide: 1) low-income persons with energy assistance, weatherization, and emergency shelter; 2) housing assistance for persons with AIDS; 3) commodity food distribution; and 4) work on local solutions to problems of poverty.

DP 20008 - HCSD Rental Increases for Adm. and County OPA's - The legislature provided cost allocated spending authority of \$400,000 general fund and \$472,000 federal revenue associated with rent increases in the Offices of Public Assistance (OPA) and HCSD administration in non-Department of Administration for buildings.

DP 20009 - Child & Adult Care Food Program Historical PL - The legislature added \$1.0 million federal funds over the biennium for the Child and Adult Care Food Program (CACFP) to address the anticipated, historical increase of 2.4 percent in program reimbursement rates as set by the Department of Agriculture. CACFP is a federal USDA entitlement program to support nutritional services in care settings through regulation and reimbursement to adult and childcare organizations. The increased federal spending authority supports annual delivery of 7.7 million meals over the biennium to children in child care facilities.

DP 20012 - Child Care Discretionary Present Law Adj - The legislature appropriated a \$4 million TANF block grant transfer over the biennium to the discretionary fund of the Child Care Development Fund in support of affordable and accessible child care. The division testified that increased funding would support 175 working families and 300 children, serve 50 child care providers, and support over \$41,846 for quality educational programs throughout the state.

DP 20016 - Child Care FPI, Market Rate, Caseload Increase - The legislature added \$4.2 million general fund over the biennium for the Early Childhood Services Bureau to maintain child care reimbursement rates for parents at the 75th percentile of the annual market rate survey, to maintain eligibility for the Best Beginnings Child Care scholarship program at 150 percent of the current federal poverty level (FPL), and to support a 4 percent case load increase for low income working parents.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Funding helps low-income families pay for child care while they work. As families earn more, they contribute more to the cost of care until eventually they are responsible for the entire cost. Although the upper limit of the sliding fee scale is set at 150 percent of FPL, 66 percent of the families receiving subsidies are at or below the poverty threshold. The Child Care and Development Fund mandates that low-income families have equal access to the same high quality child care as their more affluent contemporaries. The child care scholarship is often the primary benefit that allows these families to gain true economic self-sufficiency.

Goals:

- Maintain accessible child care reimbursement rates at the 75th percentile of the Market Rate
- Provide eligibility at 150 percent of poverty annually adjusting the program eligibility levels to the current FPL
- Maintain accessible, affordable child care and a child care scholarship program while avoiding a waiting list

Performance Criteria

- All families pay a co-payment to their child care provider, at an average of 3.5 percent of their income
- An estimated 5,570 unduplicated families will be in the work force each year because they receive child care
- An estimated 95 teen parents will be supported through scholarship assistance as they work to complete high school or achieve a GED

Tracking of the performance criteria occurs on many levels through DPHHS data management systems, and is extracted to prepare federal and state monitoring reports, reviewed by agency officials and federal agencies.

Milestones and Risks:

- Conduct a Market Rate Survey each June in light of the 75th percentile of the respective regional rates
- Examine the Federal Poverty Index in July of each year and make appropriate adjustments in the fee scale
- Update administrative rules each year to support these specific documents and conduct training
- Update and submit the CCDF state plan every two years
- Adjustments to the CCUBS automated system will occur in accord with new rates and eligibility during implementation in June and July

DP 20019 - Food Stamp Benefits - The legislature provided \$32.6 million of federal revenue authority for the biennium to fund the anticipated caseload and poverty level adjustments for food stamp benefits. The increased funding supports an additional annual average of 2,686 cases per month above the base caseload of 35,450 for FY 2008 and 4,769 cases per month for FY 2009. The measurements will be recorded monthly and included in quarterly or annual required reports.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
02	0.00	312,854	0	399,534	712,388	0.00	714,624	0	901,583	1,616,207
DP 6014 - Retirement Employer Contributions - HB 63 & HB 131										
02	0.00	10,737	65	12,136	22,938	0.00	11,378	68	12,455	23,901
DP 20001 - Energy Assistance/Conservation (Biennial/OTO)										
02	0.00	0	0	1,600,000	1,600,000	0.00	0	0	0	0
DP 20002 - Tri-state Housing Grant for People with AIDS (Biennial)										
02	0.00	0	0	966,000	966,000	0.00	0	0	0	0
DP 20004 - Homeless Management Information Syst (HMIS) Grant										
02	0.00	0	0	66,980	66,980	0.00	0	0	66,980	66,980
DP 20006 - Childcare / Working Caretaker Relative (Rstr/OTO)										
02	0.00	0	0	683,784	683,784	0.00	0	0	683,784	683,784
DP 20011 - Ombudsman - Warm Hearts/Homes - (Restricted/ OTO)										
02	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 20020 - TANF Cash Benefit Increase										
02	0.00	0	0	1,377,791	1,377,791	0.00	0	0	1,377,791	1,377,791
DP 20023 - Restructuring Blackfeet Tribal Plan										
02	0.00	0	0	1,135,170	1,135,170	0.00	0	0	1,135,170	1,135,170
DP 20907 - Child Care Funding Swap for PSF										
02	0.00	(99,983)	99,983	0	0	0.00	(104,543)	104,543	0	0
DP 20908 - Low-Income Energy Assist. Prgm (Biennial/OTO)										
02	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 20909 - Funding the Base for IHSB Admin. Correctly										
02	0.00	0	0	0	0	0.00	19,663	0	(19,663)	0
Total	0.00	\$1,523,608	\$100,048	\$6,241,395	\$7,865,051	0.00	\$941,122	\$104,611	\$4,158,100	\$5,203,833

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB63 & HB 131 - The legislature adopted HB63 and HB131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 20001 - Energy Assistance/Conservation (Biennial/OTO) - The legislature approved a one-time-only, biennial appropriation of \$1.6 million to use the energy conservation and energy assistance federal special revenue accounts for low-income energy assistance or low-income weatherization. This appropriation was contingent upon passage and approval of HB 41, which changed 90-4-215, MCA to allow the funds to be spent immediately upon signing. HB 41 was signed by the governor.

The 1987 Legislature (HB 621) established the federal special revenue account to accept the energy conservation and energy assistance funds when the department received cash distributions. However, the enabling legislation contained a clause restricting the use of the principal in the funds to a time when either weatherization or energy assistance grants fall below the 1987 funding levels of \$11,035,480. The funds have not been used because both the DOE and LIEAP grants have been larger than in 1987.

DP 20002 - Tri-state Housing Grant for People with AIDS (Bien.) - The legislature appropriated \$966,000 federal funds for the Housing Opportunities for Persons with AIDS (HOPWA) Tri State HELP (Housing Environments for Living Positively) Plus Grant received from U.S. Department of Housing and Urban Development (HUD). This grant is the second HOPWA grant received by DPHHS.

DP 20004 - Homeless Management Information Syst (HMIS) Grant - The legislature added \$66,980 of federal authority per year for the Homeless Management Information System (HMIS) grant originally received in June of 2004 from HUD. The initial grant was to help the state meet a federal mandate requiring recipients of federal McKinney-Vento Homeless Assistance Act funding to use an information system for data collection. Agencies required to use the system include the Human Resource Development Councils (HRDC's) and some emergency shelter facilities under their direction. The federal goal is to have all statewide providers of homeless services use the HMIS system for tracking and reporting. All permanent supportive housing facilities are required to use the HMIS system, and other agencies are encouraged to use it. Data from the system would be used to provide reports to HUD and the state.

DP 20006 - Childcare / Working Caretaker Relative (Rstr/OTO) - The legislature added a \$1.4 million restricted, one-time-only appropriation in federal TANF funding authority for the 2009 biennium to provide child care for working caretaker relatives of children eligible for the TANF child-only grant.

The appropriation addresses the use of TANF block grant funds in the context of regulations governing the Child Care Development Fund, which require use of the income of the grandparent/caretaker when determining eligibility for child care assistance, thereby eliminating assistance to many low-income, working grandparents that are most in need of daycare services for their grandchildren.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: There are approximately 130-150 child-only cases fitting this situation. Of these, it is estimated that 56 families have grandparents/caretakers working and in need of child care assistance. The cost of child care would be \$25 per day for infants and \$22 per day for children aged 2 and above. If these 56 families have 2 children in each family, one infant and one older child, the approximate cost of serving these families would be \$56,982 per month based upon 4.33 weeks in a month.

Goals: 1) To stabilize the lives of children who are unable to be cared for by their parents, and to prevent these children from entering the child welfare system; and 2) to provide TANF-funded child care to approximately 56-60 working caretaker relatives and allow them to continue employment while caring for these children.

Performance Criteria: The Public Assistance Bureau, in conjunction with the Early Childhood Services Bureau, will structure the eligibility requirements and payment mechanism for approving childcare for TANF-eligible children with employed caretaker relatives and provide information to those potentially eligible. This proposal may decrease the number of grandparents requesting to be licensed as foster homes although it may be difficult to measure whether or not this service is the sole reason for that decrease. Specifically, the outcomes measured would be whether or not the policy and structure is in place, number of employed caretaker relative families using the childcare services, and benefits to the family experienced through the availability of the childcare services.

Milestones: May-June 2007 – Policy and procedures developed for working caretaker relative childcare program
 June 2007 – Notification of potentially eligible working caretaker relatives
 July 2007 – Working caretaker relative childcare program begins
 Monthly – Monitor number of working relative caretakers with childcare benefits
 Quarterly – Monitor number of foster care licensing and placements for grandparents
 January 2008 – Survey working caretaker relative childcare users

DP 20011 - Ombudsman - Warm Hearts/Homes - (Restricted/ OTO) - The legislature added a one-time-only, restricted general fund appropriation of \$600,000 over the biennium for the Energy Ombudsman program, which was initiated by the 2005 Legislature. Funding allows human resource development councils (HRDC's) to aid people needing emergency energy assistance, and help with installation and low-cost/no-cost weatherization materials for the Warm Hearts/Warm Homes program.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The division used the 2005 legislative appropriation by dividing funds evenly among the state's HRDCs to: 1) encourage participation in LIEAP, Energy Share, USB, and other emergency energy assistance programs; 2) move low-income households toward energy self-sufficiency; 3) address energy related emergencies; and 4) augment the Warm Hearts in Warm Homes Program that focused on low cost energy conservation measures to needy LIEAP households that would not receive full-fledged weatherization. While 605 homes were assisted, the majority of recipient households indicated a need for Energy Ombudsman services. Future Energy Ombudsman activities would expand the pool of trained volunteers involved in installing energy conservation measures, providing outreach to un-served households. General Fund is requested because federal funding for LIEAP and weatherization assistance is insufficient to provide the proposed case management and referral services.

Other Warm Hearts in Warm Homes services include energy education, Montana property and income tax credit information, reverse annuity mortgage information, energy assistance, federal earned income tax credit information, budget counseling, furnace safety inspections; and referral to other energy, aging, nutritional, housing, child care, health care, educational, and emergency service programs.

Goals and Performance Criteria: The goal is to continue the work started with the 2005 appropriation by: 1) Providing case management and referral services to at least 500 low-income households; 2) supporting Montana Conservation Corp (MCC) efforts to install low-cost energy conservation measures in 1,843 low-income homes per year; 3) expanding the pool of Warm Hearts in Warm Homes volunteer installers to a level sufficient to provide a minimum of 200 additional low-income households low-cost energy conservation measures; 4) providing volunteer installers sufficient to expand the number of homes served by 5 percent annually. The performance criteria of the program would be monitored and measured by tracking referrals, households served, services provided to households served, and expenditures. This information would be tracked using quarterly reports from subcontractors, data from the LIEAP computer system, and the contracts management subsystem.

Milestones: Key activities shall be completed as follows:

- Recruiting and training Conservation Corp and other volunteers (July-August)
- Provision of outreach services (September – June)
- Provision of case management and referral services (September – June)

Risk: If the proposal is not adopted, LIEAP households will not receive the services outlined above.

DP 20020 - TANF Cash Benefit Increase - The legislature provided \$2.8 million of federal authority for the biennium to increase TANF cash benefits. The increase will raise the cash benefit standard from 33 percent of the 2005 federal poverty level (\$442 for a family of three) to 33 percent of the estimated 2007 federal poverty level (\$472 for a family of three).

DP 20023 - Restructuring Blackfeet Tribal Plan - The legislature provided \$2.3 million federal authority for the 2009 biennium to support the restructuring of the Blackfeet Tribal TANF plan as negotiated with the federal government. The plan re-defines the population to be served by the Blackfeet Tribe as those "eligible families that include all enrolled Blackfeet members in the assistance unit". The population not served by the Tribal plan would be served by the state TANF program. The estimated caseload increase to the state is 293 and the estimated annual cost to the TANF block grant is \$1.5 million based upon an estimated benefit level of \$430 per month as calculated at 33 percent of the 2007 federal poverty level.

The state could also contract with the Blackfeet tribe for the WoRC contract. Of the 293 new cases, it is estimated that 196 cases would participate in work activities at an estimated annual cost for 196 families of about \$450,800. Under the modified plan the Blackfeet would not retain the associated general fund/MOE. The department retains \$0.8 million general fund in the base, resulting in an appropriation of \$1.1 million each year rather than the total \$1.9 million.

DP 20907 - Child Care Funding Swap for PSF - The legislature included a decrease to the general fund of \$99,983 in FY 2008 and \$104,583 FY 2009 with a like increase in the state special revenue prevention and stabilization fund (PSF). The funding switch maintains the total authority of \$1,033,312 for child care for each year of the biennium. The prevention and stabilization fund receives revenue from the utilization fee on resident bed days at institutions. It is estimated that there will be enough state special revenue from the fees to reduce general fund.

DP 20908 - Low-Income Energy Assist. Prgm (Biennial/OTO) - The legislature added biennial, one-time-only authority for \$1 million general fund for low-income energy assistance benefits throughout the state including all Tribal Reservations.

According to federal law, a portion of the state allocation for LIEAP assistance must be set aside for use by Tribes. Montana negotiated a ratio of 17.4806 for the Tribal allocation, which is 300 percent higher than the federal requirement. Using this rate, Tribes would receive \$174,806 of the appropriation and the state would receive \$825,194. The annual increased benefit would be \$73 per household.

DP 20909 - Funding the Base for IHSB Admin. Correctly - The legislature included a \$19,663 base budget correction for the FY 2009 Intergovernmental Human Services Bureau, which moved funds that were inadvertently included in the division's federal fund into the general fund to ensure the proper state match of the Emergency Food Assistance and Aging Food Services grants serving the Low Income Energy Assistance Program. Without the general fund match the federal funds attached to these grants cannot be spent.

Language

The legislature approved the following language for inclusion in HB 2.

The Governor vetoed some of the language. Vetoed language is shown in *italic*.

"Funding for Child Care for Working Caretaker Relatives may be expended only by the human and community services division for child care assistance for working grandparents or caretaker relatives providing care for children in place of their parents.

Funding for the Work Training Program includes \$504,436 of TANF block grant funds each year of the biennium. Funds may be expended only by TANF work contractors to support additional employment and training activities, including antipoverty efforts that enhance the work capacity of TANF recipients.

Included in Human and Community Services Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, The fiscal year 2009 general fund appropriation is reduced by \$200.

Ombudsman Funding-Warm Hearts/Warm Homes may be expended only for activities related to the ombudsman function."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	351.45	0.00	19.00	370.45	0.00	24.00	375.45	375.45
Personal Services	15,515,496	1,482,593	1,415,394	18,413,483	1,530,817	2,400,244	19,446,557	37,860,040
Operating Expenses	4,189,701	565,959	156,525	4,912,185	630,461	176,000	4,996,162	9,908,347
Equipment	0	87,121	0	87,121	87,121	0	87,121	174,242
Grants	6,486,919	0	28,100	6,515,019	0	28,150	6,515,069	13,030,088
Benefits & Claims	28,991,714	3,722,676	1,051,991	33,766,381	6,402,365	1,601,809	36,995,888	70,762,269
Debt Service	84,834	0	0	84,834	0	0	84,834	169,668
Total Costs	\$55,268,664	\$5,858,349	\$2,652,010	\$63,779,023	\$8,650,764	\$4,206,203	\$68,125,631	\$131,904,654
General Fund	25,173,114	3,348,690	3,215,512	31,737,316	4,945,197	4,110,794	34,229,105	65,966,421
State/Other Special	2,126,337	(6)	294,887	2,421,218	(5)	294,937	2,421,269	4,842,487
Federal Special	27,969,213	2,509,665	(858,389)	29,620,489	3,705,572	(199,528)	31,475,257	61,095,746
Total Funds	\$55,268,664	\$5,858,349	\$2,652,010	\$63,779,023	\$8,650,764	\$4,206,203	\$68,125,631	\$131,904,654

Program Description

The Child and Family Services Division (CFSD) provides state and federally mandated protective services to children who are abused, neglected, or abandoned by receiving and investigating reports of child abuse and neglect, working to prevent domestic violence, helping families to stay together or reunite, and finding placements in foster or adoptive homes, and other programs designed to support the overarching mission of CFSD to keep children safe and families strong. CFSD oversees five regional offices that administer programs and are advised by Local Family Services Advisory Councils and a Native American Advisory Council, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

Program Highlights

Child and Family Services Division Major Budget Highlights	
♦	Total funding for the division increases about 16.5 percent when the 2009 and 2007 biennia are compared, comprising an increase in general fund support of 24.9 percent, state special revenue of 20.8 percent, and federal funds of 8.3 percent
The legislature	
♦	Approved general fund increases of over \$14.0 million primarily to fund: <ul style="list-style-type: none"> • Increased foster care and subsidized adoption caseload - \$5.1 million • Cost shifts due to the federal Deficit Reduction Act, Medicaid policy changes, and Federal Medical Assistance Percentage (FMAP) - \$3.9 million • Statewide and other present law adjustments - \$2.0 million • Increases in direct care worker wages and provider rates - \$1.4 million • Requested new proposals for field and SSI staff - \$1.0 million • Pay and retirement plans in HB 13, HB 63 and HB 131 - \$1.0 million
♦	Decreased general fund by: <ul style="list-style-type: none"> • \$2.8 million to reduce the executive request of \$5.6 million in support of foster care caseload to a revised \$2.9 million

- \$0.4 million for anticipated federal Medicaid changes to therapeutic group home funding;
- ◆ Increased state special revenue \$0.8 million to expand the SSI program and support statewide and present law adjustments
- ◆ Increased federal revenue authority for:
 - Foster care and subsidized adoption caseload - \$5.0 million
 - The pay and retirement plans - \$1.0 million
 - Increases in direct care worker wages and provider rates - \$0.8 million
 - Requested new proposals for field and SSI staff - \$0.7 million
 - Statewide, and other present law adjustments - \$3.0 million
- ◆ Approved offsets of about \$6.0 million primarily due to federal cost shifts to the general fund and reductions for foster care caseload decreases
- ◆ Approved funding for major improvements to the Child and Adult Protective Services System (CAPS) included in legislation for technology Improvement and at \$4.6 million general fund and \$3.7 million federal funds
- ◆ Transferred \$1.0 million general fund to the Children's Trust Fund through HB608, providing potential increased interest from the fund of \$60,000 over the biennium to address projects supporting abused or neglected children

Program Narrative

Biennial Comparison

The 2009 biennium budget for the division shown in Figure 19 reflects a general fund increase of more than \$13.1 million over the 2007 biennium. The 2007 biennium amounts marked with an asterisk include the supplemental appropriation approved by the legislature in HB 3 of the regular session.

The biennial comparison does not include the \$4.9 million general fund for the CAPS computer system that is included in HB 4 of the special session for the 2009 and 2011 biennia. Increases in the general fund are primarily due to the cost shifts related to the federal Deficit Reduction Act of 2005 (DRA), changes in caseload, the state share of the increased FMAP rate, requests to add 24.00 new FTE over the biennium, the pay plan and retirement package approved by the legislature, and legislative initiatives that increased direct care worker wages and provider rates. The balance of the state special and federal revenue increase is related to appropriations discussed in the present law and new proposal sections.

The division's \$0.87 million supplemental was primarily due to federal cost shifts relative to the DRA and Targeted Case Management (TCM) performed by case workers. The division had legislative and federal approval for TCM for the 2005 and 2007 biennia, but needed to implement the DRA shift in January of 2007. This cost shift is also addressed at DP 30003 in the new proposal section.

Legislative Changes to the Executive Budget

Legislative reductions in total funds to the original executive budget as presented in HB 2 are \$1.4 million, primarily for adjustments that reduced benefit and claims by \$3.5 million for the decrease in foster care caseload. Reductions are

Figure 20
2007 Biennium Compared to 2009 Biennium
Child and Family Services Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	351.45	375.45		24.00	
Personal Services	\$32,911,089	\$37,860,040	28.7%	\$4,948,951	15.0%
Operating *	8,723,901	9,908,347	7.5%	1,184,446	13.6%
Equipment	0	174,242	0.1%	174,242	NA
Grants	13,327,510	13,030,088	9.9%	(297,422)	-2.2%
Benefits/Claims	58,129,479	70,762,269	53.6%	12,632,790	21.7%
Debt Service	173,521	169,668	0.1%	(3,853)	-2.2%
Total Costs	\$113,265,500	\$131,904,654	100.0%	\$18,639,154	16.5%
General Fund *	\$52,828,876	\$65,966,421	50.0%	\$13,137,545	24.9%
State Special	4,010,098	4,842,487	3.7%	832,389	20.8%
Federal Funds	56,426,526	61,095,746	46.3%	4,669,220	8.3%
Total Funds	\$113,265,500	\$131,904,654	100.0%	\$18,639,154	16.5%

* Includes CFSD share of the supplemental appropriation in HB 3 at \$0.87 million.
Source: MBARS and DPHHS Budget Status Report.

partially offset by increases for the legislatively approved pay and retirement plans and small adjustments in operating costs and grants.

Summary of Benefits and Grants

As shown in Figure 21 on page B-41, the summary of benefits and grants, the combined funds of foster care and subsidized adoption comprise 98.6 percent of the division's benefit and claims activity. Grants for in-home reunification services comprise 31.6 percent of the same category, followed closely by tribal contracts at 26.1 percent.

The Children's Trust Fund listed in the grant category serves Montana's limited prevention and early intervention services. Although its funds are generally outside of HB 2, the trust fund is administratively attached to the department and is primarily funded from the Montana income tax check off, divorce filing fees, and the community-based child abuse prevention grant. State and federal mandates guide trust money to support nonprofit, community-based organizations that provide services and activities dedicated to preventing child abuse and neglect statewide, and focuses on programs that work with children between birth and 5 years of age. Funds from the trust are used as match for the federal community based resource grant. The \$41,253 listed in FY 2006 is for a grant to be managed by the trust advisory committee.

The legislature provided additional funding through a \$1.0 million general fund transfer to the endowment for the Children's Trust Fund appropriated through HB 608 for the 2009 biennium. While the corpus of the endowment may not be used, the estimated revenues of about \$28,000 received as interest would be expended on benefits to neglected and abused children. This amount, combined with the \$41,253, is reflected as \$69,353 in FY 2008 and \$69,403 in FY 2009.

Figure 21

Child and Family Services Division
Summary of Benefit and Grant Costs and Funding

	Fiscal 2006 Base			Fiscal 2008 Approved			Fiscal 2009 Approved			Percent Total
	General Fund	State Spec. Rev	Federal Funds	General Fund	State Spec. Rev	Federal Funds	General Fund	State Spec. Rev	Federal Funds	
Foster Care	\$10,316,388	\$1,996,959	\$7,589,020	\$11,900,551	\$2,256,719	\$8,192,375	\$13,304,106	\$2,257,559	\$8,831,355	65.9%
Subsidized Adoption	3,249,291	0	5,346,495	4,299,132	0	6,624,042	4,785,029	0	7,324,277	32.7%
Chafee - Independent Living	0	0	94,240	0	0	94,240	0	0	94,240	0.3%
Chafee - ETV	0	0	155,813	0	0	155,813	0	0	155,813	0.4%
Big Brothers and Sisters	90,000	0	0	90,000	0	0	90,000	0	0	0.2%
In home and Reunification	72,771	0	80,738	73,369	0	80,140	73,367	0	80,142	0.4%
Total Benefits & Claims	\$13,728,450	\$1,996,959	\$13,266,306	\$16,363,052	\$2,256,719	\$15,146,610	\$18,252,502	\$2,257,559	\$16,485,827	100.0%
Access and Visitation	\$13,162	\$0	\$99,207	\$13,162	\$0	\$99,207	\$13,162	\$0	\$99,207	1.7%
Tribal Contracts	317,571	0	1,381,127	317,571	0	1,381,127	317,571	0	1,381,127	26.1%
IV-E Pass Through	0	0	1,099,999	0	0	1,099,999	0	0	1,099,999	16.9%
Children's Trust Fund	0	41,253	0	0	69,353	0	0	69,403	0	1.1%
Chafee - Independent Living	0	0	370,768	0	0	370,768	0	0	370,768	5.7%
Community Based Challenge	0	0	191,288	0	0	191,288	0	0	191,288	2.9%
Domestic Violence	115,128	74,060	722,849	115,128	74,060	722,849	115,128	74,060	722,849	14.0%
In-home & Reunification	976,781	0	1,083,726	976,781	0	1,083,726	976,781	0	1,083,726	31.6%
Total Grants	\$1,422,642	\$115,313	\$4,948,964	\$1,422,642	\$143,413	\$4,948,964	\$1,422,642	\$143,463	\$4,948,964	100.0%

Legislative Discussion

The legislature addressed the CFSD budget in the context of the division's presentation of its goals and measurable objectives with a focus on: 1) the \$4.1 million impact of the federal Deficit Reduction Act of 2005 and \$0.6 million for federal changes through the Center for Medicare and Medicaid Services (CMS) in therapeutic group home funding; 2) \$1.7 million to fund 20.0 FTE over the biennium; and 3) \$0.9 million for legislative initiatives that provide direct care worker wage increases and an additional 2.5 percent provider rate increase in the second year of the biennium.

Changes at the Federal Level

The legislature addressed changes made by Congress that included: 1) implementation of an in-depth program review process to ensure the best possible programs are funded, established, monitored, and nurtured; 2) the more recent implementation of the Deficit Reduction Act (DRA) and additional regulations through CMS that shift some federal funds to state funds; 3) legislative initiatives to increase direct care worker wages and provider rates; and 4) the CAPS computer system appropriation contained in the information technology (IT) projects in the long range planning legislation (HB 4 in the special session).

Legislators responded to the systems review and monitoring program improvement recommendations for additional staff and updated, efficient computer systems with funding of:

1. \$1.7 million for 20 new FTE comprising \$1.0 million general fund and \$0.7 million federal revenue; and
2. \$8.3 million in HB 4 of the special session for IT projects comprising \$4.6 million general fund and \$3.7 million federal revenue.

Legislators responded to the federal funding changes with \$4.9 million general fund comprising:

1. The DRA elimination of:
2. Targeted case management - \$3.6 million general fund;
3. Targeted Case Management mental health benefits provided by the Health Resources Division - \$0.5 million comprising \$375,000 general fund and \$125,000 federal revenue;
4. Title IV-E federal match in certain kin care situations - \$172,000 general fund
5. Certain Medicaid matching funds for therapeutic group homes - \$0.6 million general fund

In response to continued program improvements, the review and monitoring process as well as work done by the Children, Family, Health and Human Services Interim Committee, the legislature also passed legislation to:

1. Clarify support given by relative caregivers in areas ranging from consent for medical attention (SB 48), to custody following voluntary surrender of the child (SB 31) and rights to contact with grandchildren (HB 27);
2. Allow the department to purchase liability insurance for foster parents providing foster care or therapeutic foster care for a youth under 18 years of age placed by a state agency (HB 57) - \$140,000 general fund and \$140,000 federal Title IV-E match;
3. Revise child protective laws through HB 91 to: 1) allow courts to permit testimony by telephone, videoconference, and other audio-visual means during foster-care reviews; 2) require foster-care review committees to consider both in-state and out-of-state placement options; 3) require health-care professionals involved in delivering or caring for an infant to report to DPHHS when an infant has been affected by a dangerous drug; and
4. Transfer \$1.0 million general fund to the endowment for the Children's Trust Fund for the 2009 biennium. The revenues of about \$28,000 received as interest could be expended on benefits to neglected and abused children (HB 608).

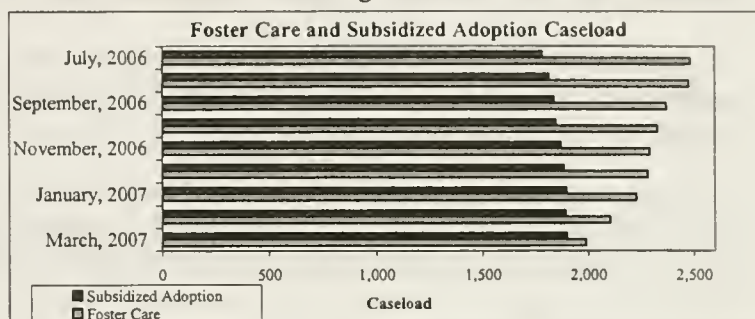
Foster Care and Subsidized Adoption Caseload

The original budget requested by the Governor in HB 2 contained a request for increased foster case caseload funding of \$8.4 million total funds, and increased subsidized adoption of \$5.8 million total funds, which represented a growth rate of 10 percent each year for foster care and 8 percent over the biennium for subsidized adoption. As the session progressed, the foster care caseload declined, and the division reduced its estimates, decreasing the request to \$4.3 million total funds, reflecting a growth rate of 7 percent over the biennium. The subsidized adoption caseload remained

relatively constant. Figure 22 reflects the foster care and subsidized adoption caseload changes from 2,483 and 1,783 in July of 2006 to 1,988 and 1,899 in March of 2007.

Subsidized adoption is increasing slightly primarily because the state has a large number of children born under the influence of methamphetamine that show increased levels of disability. The disabilities increase a child's eligibility for subsidized adoption, and the length of time the child remains in the program. The number of new adoptions for children with special needs presently exceeds the number of children aging out of the program.

Figure 22



Goals and Measurable Objectives

The legislature also addressed components in the division goals and objectives that spoke to the successfully completed corrective plans on the state and federal level as well as areas still in need of improvement; bolstering support of foster care and subsidized adoption provider and families; the hiring and management of the requested 20.0 FTE; and legislation to improve the foster care system.

In accordance with legislative interest in the use of goals and objectives as part of the decision making process and ongoing program evaluation, the legislature included language in HB 2 requesting the division to report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed the language.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Child & Family Services						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 25,173,114	45.5%	\$ 31,737,316	49.8%	\$ 34,229,105	50.2%
01100 General Fund	25,173,114	45.5%	31,737,316	49.8%	34,229,105	50.2%
02000 Total State Special Funds	2,126,337	3.8%	2,421,218	3.8%	2,421,269	3.6%
02089 Child Abuse & Neglect Program	41,253	0.1%	69,353	0.1%	69,403	0.1%
02209 Third Party Contributions-F.C.	2,000,000	3.6%	2,266,787	3.6%	2,266,787	3.3%
02376 02 Indirect Activity Prog 03	1,668	0.0%	1,662	0.0%	1,663	0.0%
02473 Assault Intervention & Trtmnt	74,714	0.1%	74,714	0.1%	74,714	0.1%
02496 Family Preservation Conference	8,702	0.0%	8,702	0.0%	8,702	0.0%
03000 Total Federal Special Funds	27,969,213	50.6%	29,620,489	46.4%	31,475,257	46.2%
03109 Tanf Benefits	2,344,001	4.2%	2,344,001	3.7%	2,344,001	3.4%
03224 Access & Visitation Grt 93.597	70,745	0.1%	70,745	0.1%	70,745	0.1%
03458 6901 - Chafee - Etv 93.599	155,813	0.3%	155,813	0.2%	155,813	0.2%
03522 93.556 - Family Preservation	1,246,462	2.3%	1,277,681	2.0%	1,279,081	1.9%
03526 93.643 - Child Justice	103,937	0.2%	104,024	0.2%	104,029	0.2%
03530 6901-Foster Care 93.658	8,361,495	15.1%	8,932,421	14.0%	9,580,524	14.1%
03531 6901-Subsidized Adopt 93.659	5,375,537	9.7%	6,656,576	10.4%	7,358,322	10.8%
03532 93.669 - Child Abuse	112,396	0.2%	112,412	0.2%	112,413	0.2%
03533 93.671 - Domestic Violence	729,231	1.3%	729,231	1.1%	729,231	1.1%
03534 93.672 - Child Abuse Challenge	203,672	0.4%	203,778	0.3%	203,820	0.3%
03536 93.674 - Iv-E Independent Livi	482,435	0.9%	482,435	0.8%	482,435	0.7%
03593 03 Indirect Activity Prog 03	8,783,489	15.9%	8,551,372	13.4%	9,054,843	13.3%
Grand Total	\$ 55,268,664	100.0%	\$ 63,779,023	100.0%	\$ 68,125,631	100.0%

This division is funded from a variety of sources, and the funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 50.2 percent of the budget, with most used as matching funds to draw federal funds. The only major activity of the division that is supported entirely by the general fund is the centralized intake function. Federal funds comprise 46.2 percent of the budget.

State special revenue represents 3.6 percent of the budget and primarily comprises payment for costs of foster care from a wide variant of third party contributions such as parental payments, collections from child support enforcement for children in foster care, supplemental security income (SSI) for eligible children.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,975,383					2,025,623	
Vacancy Savings				(699,649)					(701,665)	
Inflation/Deflation				117,244					123,525	
Fixed Costs				10,304					16,305	
Total Statewide Present Law Adjustments				\$1,403,282					\$1,463,788	
DP 6015 - State Motor Pool Rate Change	0.00	(9,627)	0	0	(9,627)	0.00	(9,932)	0	0	(9,932)
DP 30001 - Foster Care Caseload Increase	0.00	934,843	0	460,445	1,395,288	0.00	1,935,526	0	953,319	2,888,845
DP 30002 - Subsidized Adoption Caseload Increase	0.00	879,753	0	1,447,635	2,327,388	0.00	1,328,111	0	2,185,409	3,513,520
DP 30004 - FMAP Changes	0.00	383,116	0	(383,116)	0	0.00	467,670	0	(467,670)	0
DP 30005 - Mental Health Case Management (Restricted/OTO)	0.00	187,500	0	62,500	250,000	0.00	187,500	0	62,500	250,000
DP 30006 - CFSD Overtime (Restricted)	0.00	124,021	0	82,838	206,859	0.00	124,021	0	82,838	206,859
DP 30007 - CFSD Rent Increases	0.00	118,823	0	79,215	198,038	0.00	150,338	0	100,225	250,563
DP 30016 - Replacement of Computers / Equipment (Restricted)	0.00	52,273	0	34,848	87,121	0.00	52,273	0	34,848	87,121
Total Other Present Law Adjustments										
	0.00	\$2,670,702	\$0	\$1,784,365	\$4,455,067	0.00	\$4,235,507	\$0	\$2,951,469	\$7,186,976
Grand Total All Present Law Adjustments				\$5,858,349					\$8,650,764	

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 30001 - Foster Care Caseload Increase - The legislature provided \$2.9 million general fund and \$1.4 million federal funds over the biennium for a total increase of \$4.3 million in support of the increased caseload for the Foster Care Program. The funding for this proposal is 67 percent general fund and 33 percent federal funds.

The division justification for the foster care and subsidized adoption caseload increases are similar and the discussion is combined.

DP 30002 - Subsidized Adoption Caseload Increase - The legislature provided \$5.8 million over the biennium for a projected increase in caseload for the Subsidized Adoption Program. Funding would be split \$2.2 million general fund and \$3.6 million federal funds over the biennium. The funding for this proposal is 37.8 percent general fund and 62.2 percent federal funds.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: 65 percent of all child welfare cases are alcohol and drug related and the number of children in care affected by 'meth' is going up. The increase in cases related to 'meth' addiction increases the amount of work involved in managing child abuse and neglect cases because these cases: 1) require a more intense level of service; 2) have more complicated and difficult reunification issues; and 3) require a longer out-of-home placement as families work through addiction problems.

The request to increase the Subsidized Adoption Program by 11.67 percent in FY2008 and 10.82 percent in FY2009 is to account for a projected increase in the caseload, which is projected to increase every year because the number of new adoptions exceeds the number of children aging out of the program.

Goals, Objectives and Milestones: The department plans to serve eligible individuals as authorized by the program's rules while controlling growth of caseload by providing services to clients at risk of entering the foster care system, and moving children that have special needs towards permanency and adoption. The program will continue to service clients who require intervention by the department to remain healthy and safe or who have had parental rights terminated. Staff will monitor program budgets monthly to ensure the program is operating within appropriated funding levels and utilization is consistent with expected program growth rates.

Obstacles and Risks: The shortage of providers willing and able to perform these services is an issue. Continuation of provider rate adjustments for foster and adoptive parents can help in assuring recruitment of providers. If increases in funding are not approved it is expected that expenditures will exceed the budgeted authority as the programs are projected to grow. If resources are not available to meet the increased demand early in the client's relationship with CFSD, they will remain in care longer, which could increase the demand on limited resources.

DP 30004 - FMAP Changes - The legislature added \$0.85 million in general fund with a reduction of the same amount in federal funds for the 2009 biennium to address changes in the FMAP rate for both the Foster Care and Subsidized Adoption Programs. The FMAP rate for CFSD decreased from 70.76 percent in FY 2006 to 68.62 percent in FY 2008 and 68.40 percent in FY 2009.

DP 30005 - Mental Health Case Management (Restricted/OTO) - The legislature approved a restricted, one-time-only appropriation of \$375,000 general fund and \$125,000 federal funds over the biennium for mental health case management as a contingency request because the department has not received official clarification on what case management services are acceptable under the federal DRA. At the present time, children in foster care have case management services available from other sources such as those provided by Health Resources Division, and the contingency is proposed in the event case management will no longer be available to children in foster care.

If the contingency request is needed, \$250,000 each year would be used for contracts with non-profit entities to provide case management. These costs are allowable administrative costs under the IV-E program and would be funded at 75 percent general fund and 25 percent federal funds based upon blending administration and service costs associated with IV-E eligible children and those costs associated with non-IV-E children that must be paid with general fund.

DP 30006 - CFSD Overtime (Restricted) - The legislature provided a restricted appropriation of \$248,042 general fund and \$165,676 in federal funds for the 2009 biennium for overtime compensation. Overtime is not included in the "snapshot" for personal services, and is an on-going routine cost that the division requests each year.

The division estimates pro-rated expenditures for elected overtime and non-elected overtime by reporting level as \$48,087 in centralized intake, \$3,154 for central office, and \$155,618 for regional offices for a biennial total of \$206,859.

DP 30007 - CFSD Rent Increases - The legislature provided a rent increase of \$269,000 general fund and \$179,000 federal funds for the 2009 biennium to provide additional funding for rent for 39 local offices. The increase in general fund for this biennium is \$173,000 greater than the 2007 biennium request, reflecting the elimination of federal targeted case management revenue. Many of the division's lease agreements expire during the biennium and the Department of Administration will negotiate new leases. The division has seen the square footage rates for many lease agreements increase by 10 percent or more. For those lease agreements that will expire prior to June 30, 2009, the division is estimating an increase of 6 to 10 percent in most cases. The division is also seeking to increase the space in the Kalispell and Great Falls offices.

DP 30016 - Replacement of Computers / Equipment (Restricted) - The legislature added a restricted appropriation of \$174,000 over the biennium to replace 320 desktop computers, two copy machines, and three file servers in local offices throughout the state.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	288,124	0	286,213	574,337	0.00	684,302	0	657,805	1,342,107
DP 6014 - Retirement Employer Contributions - HB 63 & HB 131										
03	0.00	9,998	0	8,486	18,484	0.00	10,617	0	8,803	19,420
DP 30003 - CFSD Targeted Case Mgmt Fund Switch (Restr./OTO)										
03	0.00	1,800,000	0	(1,800,000)	0	0.00	1,800,000	0	(1,800,000)	0
DP 30008 - Federal Law Change for Kin Care Providers (Restr)										
03	0.00	86,000	0	(86,000)	0	0.00	86,000	0	(86,000)	0
DP 30010 - Additional Field Staff / Report										
03	15.00	447,161	0	298,107	745,268	20.00	588,433	0	392,288	980,721
DP 30014 - Expansion of SSI Program										
03	2.00	(202,260)	266,787	23,589	88,116	2.00	(202,194)	266,787	23,613	88,206
DP 30015 - Convert Modified In-home FTE to permanent										
03	2.00	(27,601)	0	30,286	2,685	2.00	(27,601)	0	30,362	2,761
DP 30501 - Provider Rate Increases (Restricted)										
03	0.00	199,153	0	175,956	375,109	0.00	556,300	0	368,627	924,927
DP 30601 - Direct Care Wage Increase (Restricted)										
03	0.00	314,937	0	134,974	449,911	0.00	314,937	0	134,974	449,911
DP 30903 - Therapeutic Grp Homes/Family Foster Care (Res)										
03	0.00	300,000	0	0	300,000	0.00	300,000	0	0	300,000
DP 30910 - Liability Insurance for Foster Care through HB 57										
03	0.00	0	0	70,000	70,000	0.00	0	0	70,000	70,000
DP 30911 - Children's Trust Fund Interest from HB 608										
03	0.00	0	28,100	0	28,100	0.00	0	28,150	0	28,150
Total	19.00	\$3,215,512	\$294,887	(\$858,389)	\$2,652,010	24.00	\$4,110,794	\$294,937	(\$199,528)	\$4,206,203

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 63 & HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 30003 - CFSD Targeted Case Mgmt Fund Switch (Restr./OTO) - The legislature included \$3.6 million of one-time-only general fund over the biennium to replace Targeted Case Management (TCM) federal fund reimbursements eliminated by the DRA, effective January 1, 2006. The TCM services fulfill federal and state mandates and would be continued with general fund.

DP 30008 - Federal Law Change for Kin Care Providers (Restr) - The legislature appropriated a restricted use of \$172,000 general fund to replace federal reimbursements for kinship care that were eliminated by the federal Deficit Reduction Act impacting administrative funding attached to children in unlicensed foster care homes that the division was previously allowed to claim. The funding is restricted because the division had not received formal clarification from the Administration on Children and Families with regard to how this provision should be implemented and unused funds should return to the general fund.

DP 30010 - Additional Field Staff / Report - The legislature provided \$1.7 million for 15.00 new FTE in FY 2006 and 20.00 new FTE in FY 2007 in response to increasing case loads. General fund comprises \$1.0 million of the amount and federal funds about \$0.7 million. The FTE is funded at 60 percent general fund and 40 percent federal funds based on the blended federal funding rate in the state cost allocation plan and projected federal indirect reimbursement after targeted case management services can no longer be billed to Medicaid.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Early data estimates from CFSD workload analysis shows that the division would need an increase of 112.50 FTE to meet federal and state guidelines. Caseloads for foster care have become more complicated to manage due to the increase in children entering care with methamphetamine complications. Methamphetamine is currently a factor in 38 percent of out of home care cases and in 40 to 50 percent of all new cases. Children placed in foster care because of drugs have characteristics associated with longer stays and greater services needs.

Goals, Performance Criteria and Milestones: The goal of increasing field staff is to address critical caseload issues and meet federal and state regulations. Staff will monitor program budgets monthly to ensure the program is operating within appropriated levels and that utilization is consistent with expected program growth rates. Eligible individuals will continue to receive appropriate care as authorized by the program's rules.

Obstacles and Risks: Shortages of staff who are trained and willing to perform this difficult work may be an issue. Continuation of the title IV-E stipend program for training social workers in secondary education could help. If increases in funding are not approved, CFSD may not meet federal and state mandates for keeping children safe, resulting in possible federal funding reductions or sanctions.

DP 30014 - Expansion of SSI Program - The legislature appropriated \$176,000 over the biennium to make two modified positions permanent to address immediate and ongoing caseload growth and potentially generate general fund savings. The FTE would make SSI applications on behalf of children who are in the custody of the State of Montana and who are considered to meet the SSI criteria due typically to a physical or mental disability. Funding identified and generated goes into the state special revenue account and is used to offset the costs of foster care. The positions would be funded 73.23 percent general fund and 26.77 percent federal funds as defined in the state cost allocation plan.

DP 30015 - Convert Modified In-home FTE to permanent - The legislature included funding for CFSD to convert 2.00 modified FTE into permanent positions in the In-home Services Program serving Hill, Blaine, Choteau, Liberty, and Cascade counties. The 2.00 FTE would specialize in: 1) reuniting children with their families thus averting additional foster care expenses; and 2) preventing kids from entering foster care by providing family support services that allows the family to stay intact while ensuring the children are safe.

The division intends to control caseload growth to the extent possible by providing services at the initial contact with families to avoid a child's entry into the foster care system as reflected in the division's goals and objectives.

DP 30501 - Provider Rate Increases (Restricted) - The legislature provided funding to increase the executive request for a 2.5 percent provider rate increase in FY 2008 and adds an additional 2.5 percent increase above the executive request in FY 2009. The appropriation includes a biennial total of \$1.3 million, which is split \$0.75 million general fund and \$0.5 million federal funds. This rate increase would be effective for foster parents, kin care providers, group homes, shelter care facilities, etc. Implementation is anticipated for October, 2007. The original request in the Governor's budget was for \$1.2 million over the biennium.

DP 30601 - Direct Care Wage Increase (Restricted) - The legislature appropriated \$0.8 million over the biennium to increase direct care worker wages for direct care staff in group homes and shelters, 20 percent of direct care workers in therapeutic groups homes and to increase direct care worker wages by \$0.70 cents per hour. Implementation is anticipated to be October, 2007.

DP 30903 - Therapeutic Grp Homes/Family Foster Care (Res) - The legislature approved \$300,000 general fund each year of the biennium to provide funding for anticipated changes in federal Medicaid policy.

The approved amount reduces the original request of \$500,000 per year.

DP 30910 - Liability Insurance for Foster Care through HB 57 - The legislature provided \$70,000 in federal funds each year of the biennium to the Child and Family Services Division to purchase liability insurance for foster parents providing foster care or therapeutic foster care for youths under 18 years of age placed by a state agency as provided in HB 57.

The insurance premiums are an allowable expense under Title IV-E and are funded at a 50 percent state and 50 percent federal split. HB 57 appropriates \$70,000 general fund over the biennium, but does not appropriate the federal matching funds.

DP 30911 - Children's Trust Fund Interest from HB 608 - The legislature provided authority to spend the interest earned from the HB 608 provision of \$1.0 million general fund to the permanent endowment of the Montana Children's Trust Fund. The interest is estimated at \$28,100 for FY 2008 and \$28,150 for FY 2009 and would go to the state special revenue account for the Child Abuse and Neglect Program.

Language

The legislature approved the following language for inclusion in HB 2.

The Governor vetoed some of the language. Vetoed language is shown in *italic*.

"Funding for CFSD Overtime may be expended only in support of CFSD staff overtime costs.

Funding for Replacement of Computers and Equipment may be expended only to replace child and family services division computers and equipment.

Funding for Mental Health Case Management for the child and family services division may be expended only for mental health case management services. Funding is contingent upon revisions to centers for medicare and medicaid services (CMS) federal regulations that disallow federal reimbursement to the state for case management services for children in foster care.

Funding for Federal Law Change for Kin Care Providers may be expended only by the CFSD to replace lost federal funding for administrative activities associated with children in unlicensed foster care homes.

The appropriation for Additional Field Staff/Report includes funding for reports the children, families, health, and human services interim committee showing the dates new staff were hired, areas of service, and measurements included in the division's goals and objectives.

Funding for Targeted Case Management Federal Law Change may be expended only by the child and family services division to replace federal funds for targeted case management services that are eliminated by the federal Deficit Reduction Act of 2005.

Funding for Therapeutic Group Homes/Family Foster Care may be expended only by the CFSD to implement changes in federal medicaid policy related to federal funding for therapeutic services.

Included in Child and Family Services Division/Reporting is \$200 general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. To the extent of the available appropriations, the department's contracts with group homes and shelters must require them to raise the lowest paid direct care workers to \$8.50 an hour and to raise related benefits, and the remaining balance must be used to raise wages and related benefits of all direct care workers. The department shall increase the model rate matrix for group and shelter homes. Child and Family Services/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates."

Funds in Provider Rate Increases must be used to raise provider rates.

Provider Rate Increase will be implemented starting October 1, 2007."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	48.25	1.00	0.00	49.25	1.00	0.00	49.25	49.25
Personal Services	3,461,121	(296,723)	130,309	3,294,707	(287,011)	273,411	3,447,521	6,742,228
Operating Expenses	6,540,475	27,600	700,000	7,268,075	44,850	(100,000)	6,485,325	13,753,400
Benefits & Claims	0	15,000,000	0	15,000,000	15,000,000	0	15,000,000	30,000,000
Debt Service	13,066	0	0	13,066	0	0	13,066	26,132
Total Costs	\$10,014,662	\$14,730,877	\$830,309	\$25,575,848	\$14,757,839	\$173,411	\$24,945,912	\$50,521,760
General Fund	3,095,543	(177,526)	198,840	3,116,857	(167,044)	55,535	2,984,034	6,100,891
State/Other Special	353,583	(40,340)	6,315	319,558	(38,335)	13,884	329,132	648,690
Federal Special	6,565,536	14,948,743	625,154	22,139,433	14,963,218	103,992	21,632,746	43,772,179
Total Funds	\$10,014,662	\$14,730,877	\$830,309	\$25,575,848	\$14,757,839	\$173,411	\$24,945,912	\$50,521,760

Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are the Deputy Director who serves as the state Medicaid director, legal affairs, personnel services, public information, the prevention resource center, the AmeriCorps* VISTA Program, the Office of Budget and Finance, and the Office of Planning, Coordination, and Analysis. The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

Director's Office Major Budget Highlights	
The 2009 Biennium budget increases \$33.6 million over the doubled FY 2006 base budget amount	
♦	HIFA waiver results in \$30 million of the increase, all in federal appropriations
♦	A new proposal for contracted services to analyze MMIS and MHS increases overall appropriation by \$0.8 million with \$0.2 million in general fund

Program Narrative

The FY 2008 appropriations for the Director's Office are about \$18 million higher than FY 2006 base budget expenditures and the FY 2009 appropriations are about \$16 million above the FY 2006 base expenditures. The increases are due to an increase of \$15.0 million annually in federal appropriations for the Health Insurance Flexibility and Accountability (HIFA) waiver and an \$800,000 one-time-only appropriation in FY 2008 to analyze the Medicaid Management Information System (MMIS) and the Mental Health System (MHS).

Present law changes for the Director's Office are negative for both years of the 2009 biennium due to removal of department wide termination payouts of about \$850,000. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel

program budget in the Director's Office and then removed from the base budget as a one-time expense. Removal of termination costs accounts for a reduction of about \$461,000 in general fund, \$81,000 in state special revenue, and \$308,000 in federal funds from the FY 2006 base budget as compared to the annual requests for the 2009 biennium. Funds are transferred from other divisions in DPHHS to pay termination costs. Other personal services and operating costs offset part of the reductions due to the removal of termination costs.

The 2006 base budget was increased by \$5.7 million, the majority in operating costs, due to a departmental reorganization which moved the Medicaid Management Information System (MMIS) administration from the Information Technology Division to the Director's Office. The reorganization increased general fund appropriations by about \$1.4 million and federal special revenue by \$4.3 million annually.

Biennial Comparison

Figure 23 shows the 2007 biennium compared to the legislative budget for the 2009 biennium. The 2007 biennium figures comprise FY 2006 expenditures and FY 2007 appropriations. The 2007 biennium estimates include \$10,120,000 in federal special revenue appropriations for the HIFA waiver. As of May 2007, the waiver was still not approved. As a result, the benefits and claims for the 2007 biennium are significantly overstated.

Personal services costs increase by about \$600,000 between the 2007 biennium and the 2009 biennium. Personal service increases are discussed in the present law section below. Operating costs decrease by \$3.9 million from the 2007 biennium total due to one-time-only costs of \$4.2 million

associated with system changes for departmental databases for the HIFA waiver included in FY 2007. Benefits and claims increase by \$20 million for the implementation of the HIFA waiver. Increased costs reflect the waiver being in place for the entire 2009 biennium, while in the 2007 biennium the majority of the costs were projected to be incurred in FY 2007. As stated earlier, the waiver has not been approved as of this writing and no costs have been incurred in FY 2007. If the HIFA waiver is not approved as proposed, the legislature requested DPHHS bring options for other populations to be served by the HIFA waiver to the Children, Families, Health, and Human Services Interim Committee.

Total funds increase by about \$16.0 million between the two biennia. General fund increases slightly over the period as a result of the removal of one-time termination payouts in the base budget. The reductions offset present law increases for personal services, fixed costs, and inflation. Reductions of about \$80,000 in state special revenue funds are the result of reductions for one-time termination payouts. An increase of \$22 million in federal funds is mostly attributable to the HIFA waiver implementation.

	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	48.25	49.25		1.00	
Personal Services	\$6,147,901	\$6,742,228	\$0	\$594,327	9.7%
Operating Costs	17,647,394	13,753,400	27.22%	(3,893,994)	-22.1%
Benefits & Claims	10,620,000	30,000,000	59.38%	19,380,000	182.5%
Debt Services	25,908	26,132	0.05%	224	0.9%
Total Costs	<u>\$34,441,203</u>	<u>\$50,521,760</u>	100.00%	<u>\$16,080,557</u>	<u>46.7%</u>
General Fund	5,928,754	6,100,891	12.08%	172,137	2.9%
State/Other Special	708,840	648,690	1.28%	(60,150)	-8.5%
Federal Special	<u>27,803,609</u>	<u>43,772,179</u>	86.64%	<u>15,968,570</u>	<u>57.4%</u>
Total Funds	<u>\$34,441,203</u>	<u>\$50,521,760</u>	100.00%	<u>\$16,080,557</u>	<u>46.7%</u>

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Director's Office						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 3,095,543	30.9%	\$ 3,116,857	12.2%	\$ 2,984,034	12.0%
01100 General Fund	3,095,543	30.9%	3,116,857	12.2%	2,984,034	12.0%
02000 Total State Special Funds	353,583	3.5%	319,558	1.2%	329,132	1.3%
02099 69010-Vista-Community Cost Shr	103,859	1.0%	113,124	0.4%	114,161	0.5%
02377 02 Indirect Activity Prog 04	249,724	2.5%	206,434	0.8%	214,971	0.9%
03000 Total Federal Special Funds	6,565,536	65.6%	22,139,433	86.6%	21,632,746	86.7%
03072 69010-Cns-Grants-Vista	308,867	3.1%	336,421	1.3%	339,500	1.4%
03580 6901-93.778 - Med Adm 50%	14,838	0.1%	15,237	0.1%	15,319	0.1%
03583 93.778 - Med Ben Fmap	-	-	15,027,480	58.8%	15,027,554	60.2%
03594 03 Indirect Activity Prog 04	6,241,831	62.3%	6,516,436	25.5%	6,000,236	24.1%
03596 03 Indirect Activity Prog 07	-	-	243,859	1.0%	250,137	1.0%
Grand Total	\$ 10,014,662	100.0%	\$ 25,575,848	100.0%	\$ 24,945,912	100.0%

The Director's Office is funded through a combination of general fund, state special revenue, and federal special revenue. The majority of the functions are cost allocated through a complex plan approved by the federal oversight agency. Federal cost allocation increases about \$550,000 in FY 2008 due to the MMIS and MHS system changes. In the base budget, the largest source of funding is federal cost allocation reimbursements (62 percent of the total). In FY 2008 and FY 2009 the largest source of funding is Medicaid benefit reimbursements for the HIFA waiver (59 percent). If CMS approves the waiver request, \$30 million in federal appropriation authority and funding will be distributed among other departmental divisions over the biennium.

General fund supports about 12.0 percent of the Director's Office 2009 biennium budget. The total biennial budget is about \$250,000 less than the doubled FY 2006 base budget due to reductions for one-time termination payouts.

State special revenue supporting the Director's Office is from two sources: 1) cost allocation, which is about \$200,000 annually; and 2) community cost share for VISTA volunteers. The Office of Prevention Resources administers the VISTA program, which is supported by a federal grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
<div><div></div><div>Fiscal 2008</div><div></div></div> <div><div></div><div>Fiscal 2009</div><div></div></div>										
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(193,494)					(183,456)
Vacancy Savings					(130,709)					(131,109)
Inflation/Deflation					2,077					2,388
Fixed Costs					25,523					42,462
Total Statewide Present Law Adjustments					(\$296,603)					(\$269,715)
DP 40006 - Health Insurance Flexibility Accountability Waiver	1.00	0	0	15,027,480	15,027,480	1.00	0	0	15,027,554	15,027,554
Total Other Present Law Adjustments	1.00	\$0	\$0	\$15,027,480	\$15,027,480	1.00	\$0	\$0	\$15,027,554	\$15,027,554
Grand Total All Present Law Adjustments					\$14,730,877					\$14,757,839

DP 40006 - Health Insurance Flexibility Accountability Waiver - The legislature added \$30.1 million federal Medicaid matching funds over the biennium for the implementation of and provision of services related to the Health Insurance Flexibility Accountability (HIFA) Waiver. The state match would be provided by a combination of state revenue funds including \$19.3 million in health and Medicaid initiative state special revenue from tobacco taxes and \$1.7 million of tobacco settlement funds. Health and Medicaid initiative revenues include \$6.5 million for the Mental Health Services Plan (MHSP) and \$12.8 million for Insure Montana – a small business health insurance program which provides insurance incentive payments for employers and premium assistance for employees. Tobacco settlement funds provide for Montana Comprehensive Health Association (MCHA) premium assistance benefiting Montanans who are unable to obtain health insurance due to risks factors such as cancer or HIV.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The 2005 Legislature approved development and submission of a HIFA waiver.

Goal: A HIFA waiver would generate approximately \$15 million per year in additional federal Medicaid revenue to provide the services outlined under the waiver and would do so without the need for additional state dollars above the amount already appropriated for MHSP, MCHA and the new small business incentives under HB 667 enacted by the 2005 Legislature. The HIFA waiver would allow services to be provided to an additional 5,000 individuals in Montana. The HIFA waiver would begin to reduce the number of uninsured Montanans most in need of access to health care services.

Performance Criteria: This program is dependent on receiving federal approval of the HIFA waiver to obtain the necessary federal cost participation.

The HIFA waiver would allow approximately an additional 5,000 low income individuals to receive health insurance or health services. The proposed numbers of uninsured or underinsured persons that would receive HIFA waiver services include:

- Up to 300 SED youth, ages 18 through 20, who have incomes equal to or less than 150 percent of FPL, in transition from children's mental health services and no longer eligible for Medicaid due to their age
- Up to 600 working parents with incomes less than or equal to 200 percent FPL who are no longer eligible for Medicaid, but whose children continue to be enrolled in Medicaid
- Up to 60 individuals currently on the MCHA premium assistance waiting list and potentially up to 260 existing MCHA participants
- Up to 1,200 individuals through the Insure Montana program provided under the small business insurance pool
- Up to 1,500 current MHSP participants

Spending under the HIFA waiver would be controlled by limiting the number of people served in the waiver and the maximum amount of money the state is obligated to spend on benefits for the eligibility groups covered under this waiver. Spending on the waiver eligibility groups would be limited and capped to a specific benefit regardless of the medical necessity of the services. If it appears there is a risk of exceeding the spending or enrollment limits, DPHHS would limit enrollment in the program and/or reduce the number of eligible clients by attrition. Limits and controls on spending would not impact the existing Medicaid program eligibility, benefits, and reimbursement rates.

Milestones: The HIFA waiver was submitted to CMS in July 2006 and DPHHS is waiting for approval. The implementation of the necessary system design and enhancements is anticipated to take place over a three-year period beginning in January 2007 with the majority taking place during FY 2008 and 2009. The targeted implementation date for the HIFA waiver is July 1, 2007. Other than the MHSP clients who are already enrolled in the program, the new programs would enroll clients over a period of time. The SED youth program would enroll 100 children per year up to the maximum of 300 enrolled at any given time.

FTE: No additional FTE is needed for this request.

Funding: Funding for this decision package is 100 percent federal Medicaid funds. These funds would be transferred to the divisions where the expenditures would be incurred as the waiver approval moves forward and specific services are provided. The state Medicaid match would be transferred from the MHSP, MCHA, and Insure Montana appropriations from the health and Medicaid initiatives state special revenue account.

Obstacles: The HIFA waiver would need to be approved by CMS. Once approved, DPHHS would need to complete the necessary computer system requirements to determine and track eligibility and make premium and benefits payments under the health savings account option.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	47,336	6,124	73,272	126,732	0.00	103,943	13,675	152,050	269,668
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	1,504	191	1,882	3,577	0.00	1,592	209	1,942	3,743
DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO)										
04	0.00	200,000	0	600,000	800,000	0.00	0	0	0	0
DP 40010 - Agency Telecommunications										
04	0.00	(50,000)	0	(50,000)	(100,000)	0.00	(50,000)	0	(50,000)	(100,000)
Total	0.00	\$198,840	\$6,315	\$625,154	\$830,309	0.00	\$55,535	\$13,884	\$103,992	\$173,411

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 40004 - MMIS and Mental Health Systems Analysis (BIEN/OTO) - The legislature included a one-time-only restricted biennial appropriation of \$800,000, \$200,000 general fund, in FY 2008 to analyze the current MMIS and Mental Health System and make recommendations for improvement or rewrite of the systems.

DP 40010 - Agency Telecommunications - The legislature included a reduction of \$200,000 over the biennium, including \$100,000 general fund, for expected savings to DPHHS for cost savings generated by the use of video conferencing technologies. The savings are included in the Director's Office but would be distributed throughout the department.

Language

The legislature approved the following language for inclusion in HB 2.

"Included in Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

(1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division's final template presented to the joint

appropriations subcommittee on health and human services
If the reports are not received by the legislative finance committee on December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."

The Governor vetoed the language when he signed HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	168.25	0.00	0.00	168.25	0.00	0.00	168.25	168.25
Personal Services	7,638,628	425,946	438,967	8,503,541	459,688	847,353	8,945,669	17,449,210
Operating Expenses	2,155,234	(21,907)	187,025	2,320,352	(11,647)	187,025	2,330,612	4,650,964
Equipment	5,700	0	0	5,700	0	0	5,700	11,400
Total Costs	\$9,799,562	\$404,039	\$625,992	\$10,829,593	\$448,041	\$1,034,378	\$11,281,981	\$22,111,574
General Fund	1,548,902	92,838	2,053,288	3,695,028	101,162	2,723,544	4,373,608	8,068,636
State/Other Special	1,770,665	56,820	(99,718)	1,727,767	63,456	(102,782)	1,731,339	3,459,106
Federal Special	6,479,995	254,381	(1,327,578)	5,406,798	283,423	(1,586,384)	5,177,034	10,583,832
Total Funds	\$9,799,562	\$404,039	\$625,992	\$10,829,593	\$448,041	\$1,034,378	\$11,281,981	\$22,111,574

Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance as well as those not on assistance. Services are available to any applicant regardless of income level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Division Major Budget Highlights	
◆	Total funding for the division increases by 7.1 percent between the 2007 and 2009 biennia, but the general fund increases by 135 percent due to: <ul style="list-style-type: none"> • Funding switches mandated by the federal Deficit Reduction Act including: <ul style="list-style-type: none"> ○ \$3.8 million for the elimination of the incentive fund match rate ○ \$0.4 million to cover the federal share of a newly mandated \$25 fee for persons that have never been on TANF assistance • The pay and retirement plans implemented by the legislature through HB 13, HB 63, and HB 131 - \$0.4 million general fund and \$0.86 million federal revenue

Program Narrative

Legislators traversed the division's 2009 biennial budget in the overarching context of the division's purpose, new federal mandates within the federal Deficit Reduction Act of 2005 (DRA), and its goals and measurable objectives to reach a final legislative budget that differs only slightly from the executive budget. The legislature addressed:

1. The divisions' purpose;
2. Components in the division goals and objectives that spoke to continued professional achievement of mandated federal goals and requirements, assisting Tribal child support programs, seeking increased medical support for children, and addressing staff retention; and

3. Increased funding for:
 - a) Statewide and present law funding of just over \$400,000 each year;
 - b) New proposals of \$4.2 million general fund over the biennium due to the federal Deficit Reduction Act of 2005; and
 - c) The statewide pay and retirement plans in HB 13, HB 63 and HB 131.

The Purpose

The Child Support Enforcement Division (CSED) pursues and obtains financial and medical support from non-custodial parents. Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to:

1. Maintain state eligibility for federal Temporary Assistance for Needy Families (TANF) Block Grant; and
2. Receive federal funding for the program.

Services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster Care Program are automatically referred to CSED. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state governments for welfare benefits paid to the family. Individuals not on TANF may also apply for CSED services, and their support collections are forwarded to the custodial party. It is also possible for other states to refer cases to Montana for action when a non-custodial parent lives in Montana.

The services provided by CSED tie directly to its goals and objectives, which are also mandated and monitored by the federal Office of Child Support Enforcement.

Legislative Discussion

While the performance of the CSED staff and their ability to meet the federal goals was not an issue (in FFY 2006 CSED reached a historical high in child support collection of nearly \$60 million), the legislature did address the \$4.2 million increase in general fund and the need to align the division's goals and measurable objectives with the increased state funding in addition to the federally mandated goals. The following paragraphs reflect the Deficit Reduction Act and its impact on the division and its goals and objectives.

The Deficit Reduction Act of 2005

Child Support Enforcement Programs nationwide were originally established under the concept of recovering the costs of public assistance payments made under welfare systems. Montana was no exception, and for a number of years the division's activities were funded with state special revenue from collections of child support and from federal incentive funds received for meeting or exceeding the federal incentive performance measures.

However, over the last two biennia, there has been movement at the federal level to shift a larger portion of child support funding to the states, and Montana has provided a general fund increase. For the 2009 biennium, that increase is nearly \$4.2 million general fund due to the federal Deficit Reduction Act:

1. Disallowance of the use of federal incentive payments to match other federal funds - \$3.8 million;
2. Mandatory \$25 fee for services from clients that have never been on TANF - \$0.4 million; and
3. Decrease from the 90 percent federal match for child support paternity testing services to a federal match of 66 percent, the match rate for other program operating costs - \$39,000.

The largest impact of the DRA, \$3.8 million, comes from the elimination of the incentive grant match. States receive incentive grants for meeting or exceeding the federal performance measures, and have been allowed to use the incentive grant to draw federal match at 66 percent. The DRA now prohibits states from using federal incentive grant funds as a match for federal child support enforcement funding, thereby eliminating the match CSED has historically drawn. The loss of this match has an estimated general fund impact of \$1.6 million in FY 2008 and \$2.2 million in FY 2009.

States were given two federally approved options to address the \$25 fee for services: 1) collect the fee and pass on the 66 percent federal share; or 2) opt not to collect the fee and pay the federal agency its 66 percent share of the amount that would have been collected. Rather than impose the fee, the legislature chose to appropriate \$374,050 of general fund over the biennium to pay the federal share of the mandated \$25 fee.

The legislature also provided support for the DRA federal match adjustment on paternity testing, which changed the 90 percent federal match for child support paternity testing services down to a federal match of 66 percent, the match rate for other program operating costs. The impact on the general fund is about \$19,000 per year. This appropriation is included in a new proposal (#50002) for the incentive grant funding switch.

While acknowledging that this use of general fund would be ongoing, the legislature designated the \$3.8 million appropriation for the incentive grant funding switch as one-time-only to allow the division and the next legislature to better assess the amount of general fund that would need to become part of the division's base budget.

Due to the reduction in state special revenues from child support collections from decreases in the statewide TANF caseload, there is further TANF caseload discussion in the Human and Community Services Division in this volume, the legislature approved nearly \$202,000 general fund authority over the biennium to address the caseload decrease as well as a reduction due to the federal calculation of the incentive funds. There is a table showing TANF collections on page B-60.

The following figure shows the increase in general fund support relative to the decreases in state and federal special revenue.

Figure 24
Child Support Enforcement
Summary of Historical Expenditures/Funding

Source	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Actual Fiscal 2006*	Projected Fiscal 2007	Appropriated Fiscal 2008	Fiscal 2009
General Fund	\$225,000	\$225,000	\$271,276	\$276,386	\$1,548,902	\$1,884,200	\$3,695,028	\$4,373,608
State Special Revenue	3,250,625	2,863,929	2,056,454	2,675,072	1,770,665	1,630,469	1,727,767	1,731,339
Federal Special Revenue	6,881,101	6,370,998	6,050,914	5,895,458	6,479,995	6,806,405	5,406,798	5,177,034
HB 2 Total	<u>\$10,356,726</u>	<u>\$9,459,927</u>	<u>\$8,378,644</u>	<u>\$8,846,916</u>	<u>\$9,799,562</u>	<u>\$10,321,074</u>	<u>\$10,829,593</u>	<u>\$11,281,981</u>

* Includes \$1.2 million biennial general fund appropriation to continue CSED at the FY 2005 biennium level.

Source: Legislative Fiscal Reports 2003 Biennium - 2007 Biennium and DPHHS Budget Status Report / 2007 Biennium

Goal, Objectives, and a Biennial Comparison

As mentioned earlier, in addition to continued professional achievement of mandated federal goals and requirements, the legislature asked the division to include goals and objectives that would illustrate what was gained at the state, regional or local level to help legislators understand what is accomplished with the increased use of the general fund beyond the federal mandate. During the session, the division added goals and objectives that spoke to assisting Tribal child support programs, seeking increased medical support for children, and addressing staff retention.

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, the legislature included language in HB 2 requesting the division to report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed the language.

Biennial Comparison

Figure 25 summarizes funding for the 2009 biennium compared to the 2007 biennium, reflects the impact of the federal DRA regulations, and illustrates supplemental appropriation approved by the legislature in HB 3.

Personal services for the 2009 biennium comprise 79.0 percent of the total budget. Operating costs account for 21.0 percent of the budget and show a slight decrease.

As mentioned earlier, CSED’s goals and objectives were without reference to measurements that would illustrate what was achieved at the state level by the division’s 168.25 FTE and the increased use of general fund. The legislature asked the division to expand its goals and objectives to address staff issues and some state-specific measurements. The division added measurements for: 1) staff retention and performance measures; 2) assistance for implementation of Tribal child support systems; and 3) internal audits to determine if caseworkers are completing all steps to secure maximum medical coverage for children.

Figure 25

Child Support Enforcement Division

Biennial Budget Comparison

Description	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	168.25	168.25		-	
Personal Services *	\$15,781,252	\$17,449,210	78.9%	\$1,667,958	10.6%
Operating Costs *	4,804,989	4,650,964	21.0%	(154,025)	-3.2%
Equipment & Intangibles	30,100	11,400	0.1%	(18,700)	-62.1%
Total	<u>\$20,616,341</u>	<u>\$22,111,574</u>	<u>100.0%</u>	<u>\$1,495,233</u>	<u>7.3%</u>
General Fund *	\$3,433,102	\$8,068,636	36.5%	\$4,635,534	135.0%
State Special Rev.	3,861,762	3,459,106	15.6%	(402,656)	-10.4%
Federal Funds	<u>13,352,380</u>	<u>10,583,832</u>	<u>47.9%</u>	<u>(2,768,548)</u>	<u>-20.7%</u>
Total	<u>\$20,647,244</u>	<u>\$22,111,574</u>	<u>100.0%</u>	<u>\$1,464,330</u>	<u>7.1%</u>

* Includes CSED share of the supplemental appropriation in HB 3, with personal services at \$0.2 million and operating costs at \$0.6 million general fund.

Source: MBARS and DPHHS Budget Status Report

The slight decrease in operating costs is driven by the division’s \$0.8 million supplemental appropriation for FY 2007, which increased the 2007 biennium operation costs. The supplemental was a result of the reduction in revenue that comes from collections on TANF cases (page B-5) and two changes in federal incentive payments; 1) the elimination of incentive funds discussed earlier; and 2) the federal calculation of the incentive funds that arrives two years after the division has developed a budget. General fund for the division included supplemental appropriations of \$1.2 million in FY 2003 and \$1.0 million in FY 2005.

Other Legislation

The legislature also passed HB 450, which allows the Child Support Enforcement Division to request an exemption from the federal statute that requires the use of nine digit social security numbers for purchase of recreational licenses due to privacy concerns. CSED has requested and received federal permission to request only the last four digits of the social security number. This information, used in combination with other collected data such as names and birth dates, is sufficient for CSED to track the location of parents for purposes such as collection of child support.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Child Support Enforcement						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,548,902	15.8%	\$ 3,695,028	34.1%	\$ 4,373,608	38.8%
01100 General Fund	1,548,902	15.8%	3,695,028	34.1%	4,373,608	38.8%
02000 Total State Special Funds	1,770,665	18.1%	1,727,767	16.0%	1,731,339	15.3%
02187 Child Support State Share	1,770,665	18.1%	1,727,767	16.0%	1,731,339	15.3%
03000 Total Federal Special Funds	6,479,995	66.1%	5,406,798	49.9%	5,177,034	45.9%
03570 93.563 - Child Support lvd 66%	6,408,754	65.4%	5,406,798	49.9%	5,177,034	45.9%
03605 93.563 - Child Support lvd 90/	71,241	0.7%	-	-	-	-
Grand Total	\$ 9,799,562	100.0%	\$ 10,829,593	100.0%	\$ 11,281,981	100.0%

As mentioned in the narrative, the decline of state and federal special revenues led to an increase in general fund to support the program. In the funding chart above, the general fund increase from 16 percent in FY 2006 to 39 percent in

FY 2009 and the reduction in federal funds from 66 percent in FY 2006 to 46 percent in FY 2009 are primarily due to the federal DRA.

State special revenue comes primarily from federal incentive funds received for meeting or exceeding the federal incentive performance measures and the retention of collections made on behalf of present and/or past TANF participants. The state retains a portion of the funds recovered on behalf of TANF cash assistance recipients at the state share of the federal FMAP rate, 32 percent state/68 percent federal. There is no retained revenue from non-TANF collections, which is simply collected and sent on. Figure 26 shows the history of TANF and non-TANF collections.

Figure 26 TANF and Non-TANF Collections FY 2002 - FY 2007						
	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007*
Number of TANF Cases	5,746	5,221	4,767	4,012	3,952	3,606
TANF Collections	\$7,283,629	\$7,286,738	\$6,677,447	\$5,884,235	\$5,802,895	\$4,387,811
State share of 32%	\$2,330,761	\$2,331,756	\$2,136,783	\$1,882,955	\$1,856,926	\$1,404,100
Non-TANF Collections	\$44,139,607	\$45,715,336	\$47,645,290	\$49,224,774	\$52,503,821	\$45,647,032
* As of 4/30/2007						
Source: CSED spreadsheet						

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					761,967					797,122
Vacancy Savings					(336,021)					(337,434)
Inflation/Deflation					37,192					38,063
Fixed Costs					(169,904)					(169,904)
Total Statewide Present Law Adjustments					\$293,234					\$327,847
DP 6015 - State Motor Pool Rate Change										
	0.00	(13)	0	(24)	(37)	0.00	(13)	0	(25)	(38)
DP 50004 - Child Support Enforcement Rent Increase (Restrict)										
	0.00	37,686	0	73,156	110,842	0.00	40,879	0	79,353	120,232
Total Other Present Law Adjustments										
	0.00	\$37,673	\$0	\$73,132	\$110,805	0.00	\$40,866	\$0	\$79,328	\$120,194
Grand Total All Present Law Adjustments					\$404,039					\$448,041

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 50004 - Child Support Enforcement Rent Increase (Restrict) - The legislature approved \$231,074 over the biennium to cover increases in rent for CSED office space located in Helena and regional offices in Butte, Billings, Great Falls, and Missoula. Rental expenditures support CSED activities and are therefore split 66 percent federal funding and 34 percent general fund.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
05	0.00	142,665	0	287,484	430,149	0.00	275,830	0	562,297	838,127
DP 6014 - Retirement Employer Contributions - HB63 & HB131										
05	0.00	3,115	0	5,703	8,818	0.00	3,318	0	5,908	9,226
DP 50001 - Child Support Enforcement General Fund										
05	0.00	99,718	(99,718)	0	0	0.00	102,782	(102,782)	0	0
DP 50002 - Child Support DRA Funding Switch (Restricted/OTO)										
05	0.00	1,620,765	0	(1,620,765)	0	0.00	2,154,589	0	(2,154,589)	0
DP 50005 - CSED Federal DRA \$25 Fee (Restricted)										
05	0.00	187,025	0	0	187,025	0.00	187,025	0	0	187,025
Total	0.00	\$2,053,288	(\$99,718)	(\$1,327,578)	\$625,992	0.00	\$2,723,544	(\$102,782)	(\$1,586,384)	\$1,034,378

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB63 & HB131 - The legislature adopted HB63 and HB131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 50001 - Child Support Enforcement General Fund - The legislature approved nearly \$202,000 general fund authority over the biennium with a corresponding decrease in state special revenue to support on-going operations of the division.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: State special revenues are not anticipated to be sufficient to pay all of the expected inflationary increases, and the division would not meet its goal to maintain division operations at current levels and efficiencies.

Performance Criteria and Milestones: In order to maintain federal funding, CSED must pass federal annual performance audits in mandated categories of paternity establishment, support order establishment, collection of current support, collection of arrears support and the overall cost effectiveness of the program. The division checks and enters financial data on a monthly basis in the SEARCHS system. A 'significant activities' report is generated monthly informing the division of performance during the month for each of the measured categories.

Obstacles and Risks: Obstacles could be encountered if the proposal is not passed and CSED failed a federal audit in one or more of the performance measures. Incentive funding could decline and the division might not be able to meet federally established operating requirements for TANF funding. If a child support division ceased to exist, the loss to Montana's children and families would be equivalent to annual CSED collections, and families would be on their own to deal with child support issues. Montana's eligibility for TANF block grant funding would be at risk. The Medicaid coverage secured by the division for children could be reduced. The program has resulted in approximately \$4.6 million in Medicaid cost avoidance.

DP 50002 - Child Support DRA Funding Switch (Restricted/OTO) - The legislature provided general fund of \$3.8 million over the biennium to replace the loss of funding due to the federal Deficit Reduction Act mandate that: 1)

eliminates the incentive funds match; and 2) reduces the 90 percent federal match for child support paternity testing services down to a federal match of 66 percent. General fund is appropriated to sustain the program at the current, historic level. The designation of the appropriation as one-time-only allows the next legislature to assess the impact of the funding switch on the base.

DP 50005 - CSED Federal DRA \$25 Fee (Restricted) - The legislature appropriated \$374,050 general fund over the biennium to meet the federal DRA requirement that CSED collect an annual \$25 fee from clients that have never been on TANF. The fee would be calculated after the first \$500 has been collected and 66 percent would be distributed to the federal government. This bill provides funding for the state to pay the fee rather than imposing it on families.

Due to uncertainty over the level of collections, the legislature opted to restrict the appropriation to allow excess funds to return to the general fund.

Language

The legislature approved the following language for inclusion in HB 2. However, the Governor vetoed some of the language. Vetoed language is shown in *italic*.

"Funding for Child Support Enforcement Rent Increase may be expended only for increases in rent for CSED office space located in Helena and regional offices in Butte, Billings, Great Falls, and Missoula.

Funding for Child Support Deficit Reduction Act may be expended only to replace federal funding from the elimination of the incentive funds match and the reduction of the federal match allowed for child support paternity testing services. Funds may be expended in the historical expenditure categories.

Funding for Child Support Enforcement DRA Fee may be expended only for the federally mandated \$25 fee according to the percentage split of the fee of 66% federal and 34% state.

Included in Child Support Enforcement Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	76.50	0.00	0.00	76.50	0.00	0.00	76.50	76.50
Personal Services	3,176,444	389,003	139,694	3,705,141	399,009	314,155	3,889,608	7,594,749
Operating Expenses	5,234,268	259,384	0	5,493,652	(118,533)	0	5,115,735	10,609,387
Equipment	0	0	0	0	0	0	0	0
Debt Service	67,714	0	0	67,714	0	0	67,714	135,428
Total Costs	\$8,478,426	\$648,387	\$139,694	\$9,266,507	\$280,476	\$314,155	\$9,073,057	\$18,339,564
General Fund	3,639,824	119,983	69,710	3,829,517	(36,109)	151,255	3,754,970	7,584,487
State/Other Special	865,080	50,657	18,484	934,221	40,927	38,960	944,967	1,879,188
Federal Special	3,973,522	477,747	51,500	4,502,769	275,658	123,940	4,373,120	8,875,889
Total Funds	\$8,478,426	\$648,387	\$139,694	\$9,266,507	\$280,476	\$314,155	\$9,073,057	\$18,339,564

Program Description

Business and Financial Services Division (BFSD) provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal reports, purchasing supplies and equipment, payroll processing, audit coordination, lease management, mail handling, management of vital records and statistics, property management, and records management. BFSD also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, Title 50, Chapter 15, and Title 53, Chapter 1, Part 4, MCA.

Program Highlights

Business and Financial Services Division	
Major Budget Highlights	
◆	2009 biennium budget is 5.7 percent greater than the 2007 biennium due primarily to present law adjustments, the HB13 pay plan, and the retirement plans in HB63 and HB131

Program Narrative

Formerly known as the Financial Services Division, this division was renamed the Business and Financial Services Division following a reorganization that moved the Internal Support, Budget, and Vital Records units to BFSD from the Technology Services Division (TSD). The reorganization was established at the onset of the 2007 biennium following a departmental decision to place only technology-related units under TSD and the other functions under BFSD where they better related to business or fiscal operations.

Biennial Comparison

As shown in Figure 27, the 2009 biennial budget for BFSB increases less than \$1.0 million over the 2007 biennium due to statewide and other present law adjustments, the pay plan approved in HB 13, and the legislatively approved retirement plan from HB 63 and HB 131.

State special revenue for the 2009 biennium is split 55 percent for cost allocation and indirect activity and 45 percent revenue for Vital Statistics revenue generated from fees charged for items such as birth or death certificates.

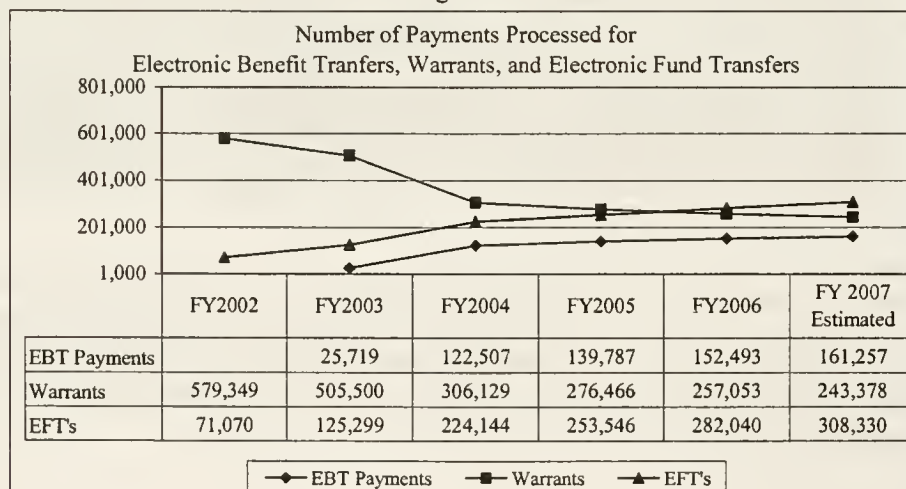
Legislative Discussion

The BFSB 2009 biennium budget contains only present law adjustments and an increase for the 2009 biennium pay and retirement plans approved by the 2007 Legislature. The legislature discussed the budget in the context of:

- 1) The division's presentation of its goals and measurable objectives;
- 2) Its successful completion of the 18 corrective action recommendations from the 2005 financial compliance audit; and
- 3) Components in the division goals and objectives that spoke to improved business processes, which could generate increased general fund through improvements in institutional reimbursements, billing efficiency, and cost recovery.

Legislators were especially interested in the division's objectives to reduce costs by: 1) maximizing the use of the Electronic Benefit Transfers (EBT) for TANF cash assistance payments, Child Support payments, and Food Stamps; and 2) increasing the use of Electronic Fund Transfers (EFT) to make payments to vendors and clients. The division hopes to achieve a growth rate of 5 percent for the biennium in the use of electronic payments, while recognizing that there could always be a need for warrants in certain cases. The following Figure 28 reflects the decrease in warrants versus the increase in the use of EBTs and EFTs. The FY 2007 estimates are based upon actual data through March, 30, 2007.

Figure 28



Legislators also addressed the division's goal to continue to maximize institutional reimbursement through a business process review to identify billing and recordkeeping efficiencies that could be implemented to enhance payments received from patients, insurance companies, Medicare, and Medicaid for services provided by DPHHS institutions.

Goals for collections in FY 2008 and FY 2009 are \$19.0 million per year that would go to the general fund.

Augmenting the goals to improve business processes, the legislature passed SB 90 to allow the division to adjust the daily per diem charged to insurance companies and private payers more than once a year. DPHHS presently bills for services provided to their clients at state institutional facilities based on rates that are set once a year. This legislation corrects the present situation in which there is a loss of general fund when costs increase during the year and the state can not bill for the actual cost of services until the next rate change occurs.

Legislators also passed SB 124 to remove a circular requirement for the Office of Court Administrator and the Office of State Public Defender to obtain a general fund appropriation to reimburse DPHHS for costs of forensic services at Montana State Hospital so DPHHS can then reimburse the general fund.

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, legislators included language in HB 2 requesting the division to report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed the language.

Other Legislation

SB 518 provides that a certificate of birth may be issued when the birth results in a still birth. The division estimates that increased costs of about \$6,000 over the biennium to implement the certificate process, which it intends to absorb in its budget.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Business & Financial Ser							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 3,639,824	42.9%	\$ 3,829,517	41.3%	\$ 3,754,970	41.4%	
01100 General Fund	3,639,824	42.9%	3,829,517	41.3%	3,754,970	41.4%	
02000 Total State Special Funds	865,080	10.2%	934,221	10.1%	944,967	10.4%	
02382 6901-02 Indret Activity Prog 06	454,499	5.4%	509,494	5.5%	504,667	5.6%	
02419 Vital Statistics	410,581	4.8%	424,727	4.6%	440,300	4.9%	
03000 Total Federal Special Funds	3,973,522	46.9%	4,502,769	48.6%	4,373,120	48.2%	
03591 6901-03 Indret Activity Prog 06	3,973,522	46.9%	4,502,769	48.6%	4,373,120	48.2%	
Grand Total	\$ 8,478,426	100.0%	\$ 9,266,507	100.0%	\$ 9,073,057	100.0%	

The BFSDD is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan. The division is funded with 41.4 percent general fund, 10.4 percent state special revenue, and 48.2 percent federal funds. State special revenue over the biennium is split about 55 percent for cost allocation and indirect activity and 45 percent for Vital Statistics revenue generated from fees charged for items such as birth or death certificates.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				537,563						547,985
Vacancy Savings				(148,560)						(148,976)
Inflation/Deflation				45,551						47,503
Fixed Costs				217,097						(162,668)
Total Statewide Present Law Adjustments				\$651,651						\$283,844
DP 6015 - State Motor Pool Rate Change										
0.00	(1,110)	(294)	(1,860)	(3,264)		0.00	(1,145)	(303)	(1,920)	(3,368)
Total Other Present Law Adjustments										
0.00	(\$1,110)	(\$294)	(\$1,860)	(\$3,264)		0.00	(\$1,145)	(\$303)	(\$1,920)	(\$3,368)
Grand Total All Present Law Adjustments				\$648,387						\$280,476

Statewide Present Law Adjustments

Because BFSB is the centralized business center for the agency, fixed costs annually comprise a large portion of operating expenditures. Total projected fixed cost operating expenditures for this biennium are about \$8.5 million, which is nearly half of the division budget.

The decrease shown in the statewide present law adjustments total of about \$361,000 from FY 2008 to FY 2009 is due to the legislative audit cost that BFSB bears for the entire agency, which is designated as a biennial appropriation and appears as a total figure in FY 2008.

The largest components of the 2009 biennium fixed costs budget are: 1) the State Accounting, Budget and Human Resource System (SABHRS) - \$3.2 million; 2) insurance and bonds - \$1.8 million; 3) statewide cost allocation plan - \$2.0 million; 4) the legislative audit - \$0.3 million; and 5) warrant writing - \$0.7 million. The division experienced a substantial increase in warrant writing due to the implementation of Big Sky Rx.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	67,628	18,011	50,135	135,774	0.00	149,048	38,459	122,534	310,041
DP 6014 - Retirement Employer Contributions - HB63 & HB131										
06	0.00	2,082	473	1,365	3,920	0.00	2,207	501	1,406	4,114
Total	0.00	\$69,710	\$18,484	\$51,500	\$139,694	0.00	\$151,255	\$38,960	\$123,940	\$314,155

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB63 & HB131 - The legislature adopted HB63 and HB131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Language

The legislature approved the following language for inclusion in HB 2. The Governor vetoed the language. All vetoed language in the fiscal report is shown in *italic*.

“Included in Business and Financial Services Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.”

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	176.01	0.00	8.00	184.01	0.00	8.00	184.01	184.01
Personal Services	7,959,560	1,408,699	852,449	10,220,708	1,441,404	1,291,817	10,692,781	20,913,489
Operating Expenses	13,328,288	167,328	1,821,277	15,316,893	197,747	1,529,494	15,055,529	30,372,422
Equipment	248,562	0	145,000	393,562	0	145,000	393,562	787,124
Grants	18,938,279	1,653,925	4,468,275	25,060,479	1,653,925	4,814,623	25,406,827	50,467,306
Benefits & Claims	12,090,717	(242,559)	876,548	12,724,706	(242,559)	1,082,714	12,930,872	25,655,578
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$52,565,406	\$2,987,393	\$8,163,549	\$63,716,348	\$3,050,517	\$8,863,648	\$64,479,571	\$128,195,919
General Fund	2,046,941	91,106	1,908,895	4,046,942	95,632	1,557,503	3,700,076	7,747,018
State/Other Special	11,123,452	252,458	5,421,398	16,797,308	269,793	6,102,084	17,495,329	34,292,637
Federal Special	39,395,013	2,643,829	833,256	42,872,098	2,685,092	1,204,061	43,284,166	86,156,264
Total Funds	\$52,565,406	\$2,987,393	\$8,163,549	\$63,716,348	\$3,050,517	\$8,863,648	\$64,479,571	\$128,195,919

Program Description

The purpose of the Public Health and Safety Division (PHSD) is to improve and protect the health and safety of Montanans. The division provides a wide range of preventive, emergency preparedness, and other public health services to individuals and communities. Services are provided through nearly 500 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals and other community-based organizations. Programs administered by the division include, but are not limited to:

1. Clinical and environmental laboratory services;
2. Women's, Infants and Children's Special Nutrition Program (WIC);
3. Maternal and child public health services;
4. Children's special health services;
5. Immunization Programs;
6. STD/HIV prevention;
7. Food and consumer safety;
8. Emergency medical services;
9. Family planning;
10. Chronic and communicable disease prevention; and
11. Public health emergency preparedness.

Statutory authority for public health functions is in Title 50, MCA, including local public health activities. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Maternal and Child Health Title 50, Chapter 1 and Chapter 19, MCA, and Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC Public Law 95-627, Child Nutrition Act of 1966, and 7CFR part 246.

Program Highlights

Public Health and Safety Division Major Budget Highlights
Total funds increase \$21.8 million over the biennium compared to the doubled FY 2006 base budget: <ul style="list-style-type: none">◆ \$3.6 million general fund increases for new proposals for HIV treatment, state laboratory infrastructure, WIC IT updates, and family planning services◆ \$11.8 million in state special revenue increases mainly for new proposals for tobacco prevention activities including chronic disease programs, new born screening follow-up, and home visits for at-risk pregnant women and infants◆ \$6.4 million in federal categorical grants, the largest for bioterrorism federal grants adding \$3.6 million in federal funds

Program Narrative

The Public Health and Safety Division (PHSD) FY 2008 budget is approximately \$11.1 million higher than the FY 2006 base budget, and the FY 2009 budget request is about \$11.9 million higher. Of these totals, \$7.4 million is federal funds, \$12.0 million is state special revenue funds, and \$3.6 million is general fund. Not quite a fourth (\$6 million) of the increases are present law base adjustments with the remaining three fourths (\$15.8 million) due to new proposals. Approximately \$6.5 million of the increases add appropriation authority for anticipated increases in federal categorical grants. The most significant of these relates to pandemic flu preparation and response, \$3.6 million over the biennium.

General fund increases \$3.6 million over the biennium. About \$186,000 is to support present law base adjustments and \$3.4 million is for new proposals. The most significant general fund new proposals are:

- \$790,000 annually for grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases
- \$537, 000 annually for grants to family planning clinics to assist in higher contraceptive costs
- \$150,000 annually for additional HIV treatment for diagnosed individuals requiring medication
- \$45,000 annually to support state laboratory infrastructure
- \$75,000 in FY 2008 to support rural public health development projects
- \$290,000 in FY 2008 for WIC database maintenance and updates

State special revenue supports about \$525,000 in present law base adjustments and \$11.5 million in new proposals. Increases for new proposals include:

- \$4.4 million annually in tobacco prevention activities
- \$480,000 annually in support for the Genetics Program
- \$420,000 over the biennium for new born screening follow-up programs
- \$200,000 annually for increased home visits for at-risk pregnant women and infants
- \$100,000 annually to support state laboratory infrastructure
- \$60,000 annually to allow Food and Consumer Safety to recover costs associated with inspections performed by PHSD employees.

Federal special revenue supports about \$5.3 million in present law base adjustments, \$3.6 million for increases related to funding for pandemic flu preparedness, and \$2.0 million in new proposals. New proposals include support for a suicide prevention grant targeting youth and funding for a food network grant.

Summary of Major Programs by Function

Figure 29 shows the FY 2006 base budget expenditures compared to the 2009 biennium legislative budget by function of PHSD.

Figure 29 FY 2006 Base Budget Expenditures Compared to the 2009 Biennium									
Major Function Grants and Benefits	FY 2006 Base Budget			FY 2008 Executive Request			FY 2009 Executive Request		
	Genl Fund	SSR	Federal	Genl Fund	SSR	Federal	Genl Fund	SSR	Federal
			Total	% of Total		Total	% of Total		Total
Major Function									
Division Administration	\$185,546	\$239,435	\$1,112,112	2.92%	1,090,199	335,343	1,466,604	2,892,146	4.54%
Chronic Disease Prev/Hlth Prom	564,626	6,706,241	6,483,818	26.17%	597,989	11,176,567	6,961,404	18,735,960	29.41%
Family & Community Health	589,760	959,517	18,061,337	37.31%	1,388,877	1,488,722	18,936,319	21,813,918	34.24%
Communicable Disease Prev.	514,164	744,518	4,023,841	10.05%	721,755	896,128	4,110,997	5,728,880	8.99%
Laboratories	172,695	2,465,337	422,349	5.82%	226,733	2,826,627	494,846	3,548,206	5.37%
Pub Health Sys Improvement/ Emergency Preparedness	20,150	8,404	9,291,556	17.73%	21,389	73,921	10,901,928	10,997,238	17.26%
Total Division Budget	\$2,046,941	\$11,123,452	\$39,395,013	100.00%	\$4,046,942	\$16,797,308	\$42,872,098	\$63,716,348	100.00%
Percent of Total	3.89%	21.16%	74.94%		6.35%	26.36%	67.29%	5.74%	27.13%
Grants									
Women, Infants and Children	0	0	3,675,344		0	0	3,675,344	3,675,344	
Emergency Systems Preparedness	0	0	5,156,574		0	0	6,756,574	6,756,574	
Women and Men's Health	0	0	2,022,858		536,523	0	2,022,858	2,559,381	
Maternal/Child Health Cmt	0	0	572,852		0	0	972,852	972,852	
Tobacco Control and Prevention	0	3,486,163	0		0	4,254,263	0	4,254,263	
Diabetes and CVH Control	0	425,223	0		1,700,000	0	1,700,000	1,700,000	
AIDS Prevention/Treatment	0	0	1,147,107		0	0	1,147,107	1,147,107	
Genetics Program	0	793,333	0		1,030,290	0	1,038,678	1,038,678	
Cancer Control	0	0	793,210		0	0	905,210	905,210	
Food/Consumer Safety	0	655,527	0		0	715,527	0	715,527	
Asbestos Grants	0	0	0		750,000	0	750,000	750,000	
Immunization	0	0	303,778		0	0	303,778	303,778	
MIAMI - Low Birthweight Preventiv	2,461	0	2,461		2,461	178,652	0	181,113	
Subtotal Grants	\$2,461	\$5,360,246	\$13,671,723		\$1,288,984	\$7,878,732	\$15,783,723	\$25,381,175	
Percent of Total Grants	0.01%	28.30%	72.19%		6.06%	37.03%	74.18%	74.44%	
% of Total Division Budget	0.00%	10.20%	26.01%		2.02%	12.37%	24.77%	24.48%	
Benefits									
Women, Infants and Children	\$0	\$0	\$8,417,852		\$0	\$0	\$8,417,852	\$8,417,852	
% of Total Division Budget	0.00%	0.00%	16.01%		0.00%	0.00%	13.21%	13.06%	

Division administration is responsible for the overall management of PHSD. Its budget accounts for 5 percent of the total FY 2009 biennial budget for the division. The majority of the division administrative budget functions are cost allocated among all division subprogram functions. The Libby asbestos screening project is managed in the division administration program and is funded using general fund and federal grant funds. The program's budget increases \$1.4 million in FY 2008 and \$1.7 million in FY 2009. \$1.5 million of the increase is general fund for grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases. It is anticipated that the majority of these grants will be made to the Lincoln County Health Department in Libby. \$1.2 million of the increase is for pay plan increases approved in HB 13 of the 2007 regular session. \$75,000 of the increase in FY 2008 is general fund for a rural public health development project to address public health emergency preparedness in rural areas of the state. The remainder of the division administration increase is for statewide present law adjustments.

The Chronic Disease Prevention and Health Promotion Bureau budget is about 29 percent of the total 2009 biennium division legislative budget, increasing \$5.0 million annually. The bureau administers tobacco prevention and control, diabetes control, obesity prevention, breast and cervical cancer control and screening, and tumor registry programs. The majority of the increases are for new proposals associated with tobacco prevention activities funded through increased tobacco settlement funds. HB 743 added chronic disease programs to the definition of programs for tobacco disease prevention. The addition aligns the uses of the tobacco settlement funds with the recommendations included by the Centers for Disease Control and Prevention in Best Practices for Comprehensive Tobacco Control Programs – August 1999. The legislature approved \$2.7 million each year of the biennium to provide support for primary prevention of diabetes and heart disease, improvement of acute stroke care in rural Montana, comprehensive cancer control, and asthma surveillance and control. The legislature also approved an additional \$1.7 million each year to increase community based efforts to prevent tobacco use, establish new college campus tobacco prevention programs, and implement a statewide public education campaign on spit tobacco use and the benefits of tobacco cessation during pregnancy. The majority of the remaining increases are present law adjustments, with 80 percent of the increase funded through federal categorical grant increases.

The Family and Community Health Bureau is 34 percent of the total division 2009 biennium budget. The major programs in this bureau include women, infants, and children nutrition (WIC), women's and men's health, MIAMI, children's special health, newborn health screening, and genetics. This bureau also administers contracts with local governments and contractors that provide maternal and child health services funded by the maternal and child health grant. The budget increases \$2.2 million over the FY 2006 base budget amount in FY 2008 and \$2.2 million in FY 2009. The most significant increases result from new proposals which include:

- o \$1.1 million restricted one-time-only general fund to support funding for family planning services relating to contraceptive cost increases
- o \$400,000 federal revenue annually for a youth suicide prevention grant
- o \$420,000 state special revenue and \$112,000 federal special revenue over the biennium for newborn screening follow-up
- o \$200,000 state special revenue annually for increased MIAMI funding to assist high-risk pregnant women and infants
- o \$290,000 general fund in FY 2008 to program the WIC computer system until the new federal system becomes operational
- o \$480,000 state special revenue annually for the Genetics Program

Communicable Disease Control and Prevention Bureau is about 9 percent of the total division budget. Major responsibilities in the bureau include food and consumer safety, tuberculosis control, immunization, sexually transmitted disease, and AIDS prevention. Major increases in this portion of the budget include:

- o \$150,000 general fund annually to reduce the waiting list for HIV drug assistance
- o \$400,000 state special revenue in FY 2009 for human papillomavirus (HPV) vaccine
- o \$60,000 state special revenue annually for increased pool inspection fees and plan reviews

Laboratory functions are 5.5 percent of the division budget and include both the environmental and public health laboratories and the biomonitoring function. Significant changes to the budget include:

- \$45,000 general fund annually for laboratory infrastructure
- \$100,000 state special revenue annually for laboratory infrastructure
- \$130,000 state special revenue annually for increased laboratory testing
- \$50,000 federal revenue annually for the Food Emergency Response Network

The public health system improvement and emergency preparedness function is 17 percent of the total 2009 biennium budget. Changes over the base budget are due to statewide present law adjustments and other present law adjustments for increased federal revenue relating to pandemic flu preparedness and a reduction for loss of the environmental public health tracking grant.

Over 59 percent (\$31 million) of the FY 2006 base budget expenditures supported grants to local agencies or governments and services (benefits) to individuals, 59 percent of the 2009 biennium budget also supports grants and services. The largest component of these expenditures is for the WIC program, with a combined total of \$12 million in grants and benefits each year of the biennium. The WIC program provides vouchers for food for low-income children under age 5 and for nursing mothers.

Emergency preparedness grants to local governments and hospitals account for the next largest grant source with \$6.8 million included each year of the biennium. Pandemic flu preparedness increases these grants by \$1.6 million annually.

Tobacco control and prevention are the third highest grant expenditures with \$4.2 million each year of the 2009 biennium. The program grants funds to county, tribal, and urban Indian community-base programs, Addictions and Mental Disorders Division, Office of Public Instruction, and the Montana University System to address issues associated with tobacco use prevention and cessation.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Public Health & Safety D						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 2,046,941	3.9%	\$ 4,046,942	6.4%	\$ 3,700,076	5.7%
01100 General Fund	2,046,941	3.9%	4,046,942	6.4%	3,700,076	5.7%
02000 Total State Special Funds	11,123,452	21.2%	16,797,308	26.4%	17,495,329	27.1%
02011 Read Well Be Well	-	-	12,897	0.0%	29,240	0.0%
02199 Dhes Food & Consumer	119	0.0%	134	0.0%	134	0.0%
02366 Public Health Laboratory	2,465,337	4.7%	2,870,724	4.5%	2,939,720	4.6%
02379 02 Indirect Activity Prog 07	239,435	0.5%	272,222	0.4%	284,101	0.4%
02462 Food/Lodging License	744,399	1.4%	900,296	1.4%	907,590	1.4%
02512 Brfs Survey Fees	8,404	0.0%	73,921	0.1%	73,936	0.1%
02544 6901-Welch'S Cost Relief Gran	4,020	0.0%	4,063	0.0%	4,064	0.0%
02765 Fees On Insurance Policies - Sb 275	828,093	1.6%	1,045,928	1.6%	1,054,719	1.6%
02772 Tobacco Hlth & Mediced Initiative	25,000	0.0%	25,685	0.0%	25,766	0.0%
02773 Childrens Special Health Services	102,404	0.2%	106,697	0.2%	108,640	0.2%
02790 6901-Statewide Tobacco Sttlmnt	6,706,241	12.8%	11,176,567	17.5%	11,177,419	17.3%
02987 Tobacco Interest	-	-	308,174	0.5%	890,000	1.4%
03000 Total Federal Special Funds	39,395,013	74.9%	42,872,098	67.3%	43,284,166	67.1%
03004 Ems Data Injury	95,092	0.2%	100,788	0.2%	102,304	0.2%
03020 Ph Workforce Development	37,462	0.1%	62,408	0.1%	64,259	0.1%
03026 Family Planning Title X	2,255,442	4.3%	2,287,941	3.6%	2,303,075	3.6%
03027 Wic (Women,Infants & Children)	13,085,180	24.9%	13,228,885	20.8%	13,258,381	20.6%
03030 Health Prevention & Services	761,522	1.4%	837,447	1.3%	846,807	1.3%
03031 Maternal & Child Health	2,051,383	3.9%	2,318,839	3.6%	2,357,463	3.7%
03057 Newborn Hearing Screening	81,321	0.2%	100,673	0.2%	103,599	0.2%
03074 Obesity Prevention	447,623	0.9%	478,065	0.8%	485,860	0.8%
03085 Yth/Yng Adult Suicide Prv 93.243	-	-	400,000	0.6%	400,000	0.6%
03146 10.577 Wic BF Peer Counseling	20,783	0.0%	21,004	0.0%	21,008	0.0%
03150 Wic Cdc Surveillance	10,593	0.0%	10,706	0.0%	10,708	0.0%
03154 Office Of Women'S Health	2,010	0.0%	2,027	0.0%	2,028	0.0%
03159 Tuberculosis Grant	144,750	0.3%	139,571	0.2%	142,115	0.2%
03208 Abstinence Education Blk Grant	60,488	0.1%	69,884	0.1%	69,963	0.1%
03258 Diabetes Control	611,660	1.2%	653,231	1.0%	663,874	1.0%
03273 Primary Care Services	108,045	0.2%	116,896	0.2%	119,857	0.2%
03274 Ryan White Act, Title li	787,685	1.5%	799,902	1.3%	806,819	1.3%
03336 Food Inspection Program	58,581	0.1%	54,387	0.1%	54,507	0.1%
03357 Healthy Child	16,616	0.0%	19,197	0.0%	19,219	0.0%
03362 Data Integration	45,868	0.1%	52,993	0.1%	53,053	0.1%
03368 Trauma System Development	28,557	0.1%	30,591	0.0%	30,980	0.0%
03370 Epi & Lab Surveillance E. Coli	377,056	0.7%	467,767	0.7%	474,115	0.7%
03383 Search Grant	180,494	0.3%	193,799	0.3%	196,895	0.3%
03429 Birth Defects Surveillance	6,886	0.0%	8,275	0.0%	8,285	0.0%
03448 6901-Early Childhood Comp Sys	41,673	0.1%	48,146	0.1%	48,201	0.1%
03451 69010-Cdp For Brfs	290,764	0.6%	387,217	0.6%	394,318	0.6%
03461 6901- Childrens Oral Hlth Care	67,120	0.1%	77,546	0.1%	77,634	0.1%
03583 93.778 - Med Ben Fmap	-	-	37,410	0.1%	74,710	0.1%
03596 03 Indirect Activity Prog 07	737,863	1.4%	828,630	1.3%	864,276	1.3%
03681 6901-Mt Fd Safe Adv Cncl93.103	38,103	0.1%	90,097	0.1%	90,258	0.1%
03683 6901-Biomonitoring	104,669	0.2%	111,992	0.2%	114,762	0.2%
03686 6901-Adult Lead	9,631	0.0%	10,815	0.0%	10,840	0.0%
03689 6901-Bioter Hosp Preparedness	2,480,078	4.7%	2,591,433	4.1%	2,610,874	4.0%
03690 6901-Rape Prev & Educ 93.126	116,031	0.2%	111,901	0.2%	113,966	0.2%
03697 6901-Cardiovascular Hlth Prgm	1,013,638	1.9%	1,082,115	1.7%	1,099,180	1.7%
03698 6901-Ems Prev Fire Related Inj	119,828	0.2%	128,640	0.2%	130,538	0.2%
03706 6901-Environmentl Hlth Trackng	555,725	1.1%	-	-	-	-
03708 6901-Libby Asbestos Screening	374,249	0.7%	386,222	0.6%	391,916	0.6%
03709 6901-Rural Access Emerg Device	188,063	0.4%	202,117	0.3%	205,313	0.3%
03711 6901-Breast & Cervical Cancer	2,099,930	4.0%	2,299,570	3.6%	2,326,746	3.6%
03712 6901-Cancer Registries 93.283	208,987	0.4%	222,922	0.3%	225,521	0.3%
03713 6901-Wic Farmer Market 10.572	37,926	0.1%	38,328	0.1%	38,336	0.1%
03788 Montana Disability And Health Progr	255,454	0.5%	255,454	0.4%	255,454	0.4%
03822 Tobacco Control	1,038,659	2.0%	1,064,046	1.7%	1,082,698	1.7%
03929 Seroprevalence/Surveillance	49,249	0.1%	49,684	0.1%	49,722	0.1%
03936 Vaccination Program	953,960	1.8%	962,783	1.5%	982,580	1.5%
03937 Std Program	230,679	0.4%	258,968	0.4%	264,769	0.4%
03938 Aids Fed. Cat. #13.118	1,435,596	2.7%	1,454,440	2.3%	1,465,001	2.3%
03959 Bioterrorism	5,529,240	10.5%	7,451,905	11.7%	7,505,006	11.6%
03979 Comprehensive Cancer Control	142,801	0.3%	264,441	0.4%	266,373	0.4%
Grand Total	\$ 52,565,406	100.0%	\$ 63,716,348	100.0%	\$ 64,479,571	100.0%

PHSD is funded by a combination of general fund, state special revenue, and federal funds. General fund supports about six percent of the budget. State special revenue is 27 percent of 2009 budget and federal revenue makes up 67 percent of the division's budget.

General fund supports the MIAMI program (\$700,000 annually), public health laboratory, AIDS prevention and control, food and consumer safety, tumor registry, communicable disease, family planning services, grants to county health boards for asbestos related illnesses, and division administration functions.

State special revenue increases from 21 percent of the FY 2006 base budget to 27 percent in the 2009 biennium. Major state special revenue sources include:

- o Tobacco settlement funds at \$11.2 million in both years of the biennium, a total increase of \$8.9 million
- o Public and environmental laboratory service fees
- o Fees paid to license restaurants and lodging facilities

There are almost 50 funding sources listed in the division funding table, including 2 federal block grants and more than 40 categorical grants that each have explicit programmatic and expenditure requirements. In most cases the purpose of the grant can be determined from its name.

The largest federal grant funds the WIC program, which accounts for \$13.1 million of the FY 2006 base budget and \$13.2 million of the FY 2008 and FY 2009 budget. Federal funds supporting emergency preparedness activities are the next significant federal grant funds source, accounting for 17 percent of the budgeted federal funds and increasing \$1.9 million each year from the FY 2006 base budget for pandemic flu preparedness.

Two federal block grants account for about 7.4 percent of the PHSD 2009 biennium budget for federal appropriation authority. They are the maternal child health (MCH) block grant (\$2.3 million annually) and the preventative health block grant (\$0.8 million annually). These block grants support a variety of PHSD functions and are both allocated in consultation with division advisory councils. As a result, the allocation is usually somewhat different than anticipated in the budget.

Biennial Comparison

Figure 30 shows the 2007 biennium compared to the 2009 legislative budget for PHSD. The 2009 biennial budget is 15 percent higher than the 2007 biennium, with increases in all categories but benefits/claims and debt service.

Grants show the largest funding increase, in part due to pandemic flu preparedness grants to local governments and increases in tobacco prevention grants to schools and local governments. Personal services also increase significantly with statewide present law adjustments and pay plan increases included in House Bill 13 of the 2007 regular session.

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Total
FTE	176.01	184.01		8	5%
Personal Services	\$16,986,204	\$20,913,489	16%	\$3,927,285	23%
Operating	28,191,488	30,372,422	24%	2,180,934	8%
Equipment	380,911	787,124	1%	406,213	107%
Grants	39,726,879	50,467,306	39%	10,740,427	27%
Benefits/Claims	25,740,774	25,655,578	20%	(85,196)	0%
Debt Service	37,587	0	0%	(37,587)	-100%
Total Costs	<u>\$111,063,843</u>	<u>\$128,195,919</u>	100%	<u>\$17,132,076</u>	15%
General Fund	4,173,774	7,747,018	6%	3,573,244	86%
State Special	22,709,932	34,292,637	27%	11,582,705	51%
Federal Funds	84,180,137	86,156,264	67%	1,976,127	2%
Total Funds	<u>\$111,063,843</u>	<u>\$128,195,919</u>	100%	<u>\$17,132,076</u>	15%

Federal funds support 67 percent of the 2009 legislative budget, increasing \$2.0 million when compared to the 2007 biennium. State special revenue supports 27 percent of the budget and increases 51 percent due to increases in tobacco settlement funding. General fund comprises 6 percent of the budget. However, it increases 86 percent when compared to the 2007 biennium for new proposals including support for family planning services, grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases, HIV treatment, laboratory infrastructure, rural public health development project, and WIC database maintenance and updates.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,799,036					1,833,112
Vacancy Savings				(390,337)					(391,708)
Inflation/Deflation				14,762					16,732
Fixed Costs				91,022					118,698
Total Statewide Present Law Adjustments				\$1,514,483					\$1,576,834
DP 6015 - State Motor Pool Rate Change	0.00	(119)	(154)	(695)	0.00	(77)	(151)	(770)	(998)
DP 70011 - Increase Spending Authority for Laboratory	0.00	0	130,000	0	0.00	0	130,000	0	130,000
DP 70015 - Public Health Emergency Preparedness	0.00	0	0	1,800,000	0.00	0	0	1,800,000	1,800,000
DP 70018 - BRFSS Spending Authority Increase	0.00	0	0	40,000	0.00	0	0	40,000	40,000
DP 70021 - Montana Comprehensive Cancer Control Program MCCCCP	0.00	0	0	112,000	0.00	0	0	112,000	112,000
DP 70023 - BRFSS-02 Fee Account Continued Spending Authority	0.00	0	65,000	0	0.00	0	65,000	0	65,000
DP 70101 - Reduce Budget for Environmental Pub Hlth Tracking	0.00	0	0	(430,563)	0.00	0	0	(429,760)	(429,760)
DP 70104 - Reduce Base Level Funding For Genetics Program	0.00	0	(242,559)	0	0.00	0	(242,559)	0	(242,559)
Total Other Present Law Adjustments	0.00	(\$119)	(\$47,713)	\$1,520,742	0.00	(\$77)	(\$47,710)	\$1,521,470	\$1,473,683
Grand Total All Present Law Adjustments				\$2,987,393					\$3,050,517

New Proposals

New Proposals		Fiscal 2008				Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
07	0.00	20,047	71,321	279,479	370,847	0.00	42,147	161,705	612,426	816,278
DP 6014 - Retirement Employer Contributions - HB 131										
07	0.00	596	2,287	7,287	10,170	0.00	634	2,375	7,533	10,542
DP 70002 - Ongoing Lab Equipment Replace & Maintenance (OTO)										
07	0.00	45,000	100,000	0	145,000	0.00	45,000	100,000	0	145,000
DP 70003 - WIC IT System Maintenance (BIEN/OTO)										
07	0.00	290,000	0	0	290,000	0.00	0	0	0	0
DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation)										
07	0.00	0	129,522	37,410	166,932	0.00	0	290,000	74,710	364,710
DP 70007 - HIV Treatment Funding Request										
07	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 70013 - Food Emergency Response Network Grant										
07	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
DP 70014 - Youth Suicide Prevention Program										
07	0.00	0	0	400,000	400,000	0.00	0	0	400,000	400,000
DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation)										
07	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
DP 70017 - FTE Request for MT Breast & Cervical Health Prg										
07	1.00	0	0	59,080	59,080	1.00	0	0	59,392	59,392
DP 70023 - Family Planning Services (Restricted/OTO)										
07	0.00	536,523	0	0	536,523	0.00	536,523	0	0	536,523
DP 70024 - Genetics Program Funding										
07	0.00	0	279,616	0	279,616	0.00	0	288,004	0	288,004
DP 70103 - Tobacco Trust Fund Sup for Pbhc Hlth Home Visits										
07	0.00	0	178,652	0	178,652	0.00	0	200,000	0	200,000
DP 70105 - Rural Public Health Development Project										
07	0.00	75,000	0	0	75,000	0.00	0	0	0	0
DP 70106 - Tobacco Prevention Activities										
07	2.00	0	1,700,000	0	1,700,000	2.00	0	1,700,000	0	1,700,000
DP 70109 - Chronic Disease Programs										
07	5.00	0	2,700,000	0	2,700,000	5.00	0	2,700,000	0	2,700,000
DP 70110 - HPV Vaccine (Restricted/OTO)										
07	0.00	0	0	0	0	0.00	0	400,000	0	400,000
DP 70111 - Additional Genetic Program Funding (Restricted)										
07	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 70112 - Grants to County Health Boards in Counties w/ Asb										
07	0.00	791,729	0	0	791,729	0.00	783,199	0	0	783,199
Total	8.00	\$1,908,895	\$5,421,398	\$833,256	\$8,163,549	8.00	\$1,557,503	\$6,102,084	\$1,204,061	\$8,863,648

Language

The legislature approved the following language for inclusion in HB 2 of the May 2007 special session:

"Tobacco Prevention Activities includes \$90,000 each year of the biennium for each of the seven Montana tribes. The funding must be used for tribal tobacco use prevention programs that meet the same requirements as other community-based contactors providing tobacco use prevention programs.

Included in Division Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee on December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Funding for Asbestos-Related Diseases Administration includes funding for an annual report to the children, families, health, and human services interim committee on the number of participants assisted through the grant program, the amount of funding needed by each participant, and the estimated funding needed to pay future costs of participants."

The Governor struck the language concerning Division Administration/Reporting and Asbestos-Related Diseases Administration when he signed HB 2 for the May 2007 special session.

Sub-Program Details

PUBLIC HEALTH & SAFETY DIVISION 01

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	18.00	0.00	0.00	18.00	0.00	0.00	18.00	18.00
Personal Services	1,150,754	106,361	422,746	1,679,861	110,448	860,019	2,121,221	3,801,082
Operating Expenses	182,697	946	0	183,643	3,169	0	185,866	369,509
Grants	0	0	825,000	825,000	0	750,000	750,000	1,575,000
Benefits & Claims	203,642	0	0	203,642	0	0	203,642	407,284
Total Costs	\$1,537,093	\$107,307	\$1,247,746	\$2,892,146	\$113,617	\$1,610,019	\$3,260,729	\$6,152,875
General Fund	185,546	17,281	887,372	1,090,199	18,226	825,980	1,029,752	2,119,951
State/Other Special	239,435	22,300	73,608	335,343	23,469	164,080	426,984	762,327
Federal Special	1,112,112	67,726	286,766	1,466,604	71,922	619,959	1,803,993	3,270,597
Total Funds	\$1,537,093	\$107,307	\$1,247,746	\$2,892,146	\$113,617	\$1,610,019	\$3,260,729	\$6,152,875

The 2009 biennium budget for the Public Health and Safety Division administration function is cost allocated among the other division functions managed by PHSD. Statewide present law adjustments for personal services show a 10 percent increase over the personal services base budget amount. About \$86,000 is attributable to annualization of the pay plan approved in HB 447 by the 2005 Legislature. The remaining \$72,000 is due to restoration of funding for base year vacancies and salary or pay grade adjustments not funded in the pay plan.

New proposals for this bureau include the pay plan increases included in HB 13 of the 2007 regular session which increase the total funds authority by \$370,847 in FY 2008 and \$816,278 in FY 2009. The funding for pay plan increases for the entire division is included in this function, and will be allocated to the various funding sources and functions by division fiscal staff.

The legislature provided one-time-only general fund support for grants to county health boards with a proliferation of tremolite asbestos-related diseases. Funding from W.R. Grace and Company to assist residents of the Libby Troy area affected by tremolite asbestos is anticipated to be fully used sometime in FY 2008. Due to the uncertainty of additional funding from W.R. Grace and Company or federal assistance the legislature provided funding in this biennium. Included as part of the funding is a requirement for the division to report on the number of people requiring assistance, the amount of assistance received, and the anticipated costs of assistance to residents affected by asbestos related diseases.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					158,739					162,999
Vacancy Savings					(52,378)					(52,551)
Inflation/Deflation					292					330
Fixed Costs					1,622					3,837
Total Statewide Present Law Adjustments					\$108,275					\$114,615
DP 6015 - State Motor Pool Rate Change	0.00	(119)	(154)	(695)	(968)	0.00	(77)	(151)	(770)	(998)
Total Other Present Law Adjustments	0.00	(\$119)	(\$154)	(\$695)	(\$968)	0.00	(\$77)	(\$151)	(\$770)	(\$998)
Grand Total All Present Law Adjustments					\$107,307					\$113,617

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	20,047	71,321	279,479	370,847	0.00	42,147	161,705	612,426	816,278
DP 6014 - Retirement Employer Contributions - HB 131										
01	0.00	596	2,287	7,287	10,170	0.00	634	2,375	7,533	10,542
DP 70105 - Rural Public Health Development Project										
01	0.00	75,000	0	0	75,000	0.00	0	0	0	0
DP 70112 - Grants to County Health Boards in Counties w/ Asb										
01	0.00	791,729	0	0	791,729	0.00	783,199	0	0	783,199
Total	0.00	\$887,372	\$73,608	\$286,766	\$1,247,746	0.00	\$825,980	\$164,080	\$619,959	\$1,610,019

DP 6013 - 2009 Biennium Pay Plan HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 70105 - Rural Public Health Development Project - The legislature provided a \$75,000 biennial general fund appropriation to develop local solutions for creating public health infrastructure in rural and frontier counties in Montana. The funding supports work with local jurisdictions to address public health surge capacity in a large-scale event or emergency, including cooperation among various jurisdictions, and to develop basic orientation for boards of health and health officers.

DP 70112 - Grants to County Health Boards in Counties w/ Asb - The legislature included \$1.5 million general fund to support grants to county health boards in counties with a proliferation of tremolite asbestos-related diseases. The grants will provide benefits to individuals exposed to asbestos and supplements health care needs of those individuals with asbestos-related diseases who have limited resources. The one-time-only designation was made due to the potential for other funding from either ongoing litigation with W.R. Grace & Company and/or federal funding for asbestos-related diseases.

It also provides for administrative costs of \$74,928 which are restricted and one-time-only.

Sub-Program Details

CHRONIC DISEASE PREV & HEALTH PROMOTION 03

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	35.02	0.00	8.00	43.02	0.00	8.00	43.02	43.02
Personal Services	1,333,939	387,702	429,703	2,151,344	394,147	431,798	2,159,884	4,311,228
Operating Expenses	6,198,354	22,493	1,481,277	7,702,124	27,038	1,479,494	7,704,886	15,407,010
Grants	4,998,295	112,000	2,468,100	7,578,395	112,000	2,468,100	7,578,395	15,156,790
Benefits & Claims	1,224,097	0	80,000	1,304,097	0	80,000	1,304,097	2,608,194
Total Costs	\$13,754,685	\$522,195	\$4,459,080	\$18,735,960	\$533,185	\$4,459,392	\$18,747,262	\$37,483,222
General Fund	564,626	33,363	0	597,989	34,458	0	599,084	1,197,073
State/Other Special	6,706,241	70,326	4,400,000	11,176,567	71,178	4,400,000	11,177,419	22,353,986
Federal Special	6,483,818	418,506	59,080	6,961,404	427,549	59,392	6,970,759	13,932,163
Total Funds	\$13,754,685	\$522,195	\$4,459,080	\$18,735,960	\$533,185	\$4,459,392	\$18,747,262	\$37,483,222

The Chronic Disease Prevention and Health Promotion 2009 biennium budget is about \$10.0 million higher over the biennium than the FY 2006 base budget. State special revenue increases about \$8.8 million over the period due to increases in the tobacco settlement special revenue fund used for tobacco prevention and cessation activities. Federal revenue increases almost \$1 million over the biennium, for the most part due to increases in federal categorical grants. General fund increases are not significant in this program.

The legislature approved a statutory change to the definition of programs for tobacco disease prevention to include chronic disease programs. The Best Practices for Comprehensive Tobacco Control Programs – August 1999 published by the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention includes chronic disease programs to reduce the burden of tobacco-related disease as a major component of the recommended program elements for comprehensive tobacco control programs. The recommended funding level for Montana for chronic disease programs is \$2,791,000 each year. The legislature approved an additional \$2.7 million in tobacco settlement funds for chronic disease programs (See decision package 70109). The statutory change addressed LFD issues related to the legality of using tobacco settlement funds for chronic disease programs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					459,436					466,151
Vacancy Savings					(71,734)					(72,004)
Inflation/Deflation					5,802					6,647
Fixed Costs					16,691					20,391
Total Statewide Present Law Adjustments					\$410,195					\$421,185
DP 70021 - Montana Comprehensive Cancer Control Program MCCCCP										
	0.00	0	0	112,000	112,000	0.00	0	0	112,000	112,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$112,000	\$112,000	0.00	\$0	\$0	\$112,000	\$112,000
Grand Total All Present Law Adjustments					\$522,195					\$533,185

DP 70021 - Montana Comprehensive Cancer Control Program MCCCCP - The legislature approved an increase in federal authority of \$112,000 for each year of biennium for MCCCCP. This authority will bring the base in line with the grant award.

New Proposals

New Proposals										
Sub Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70017 - FTE Request for MT Breast & Cervical Health Prg										
03	1.00	0	0	59,080	59,080	1.00	0	0	59,392	59,392
DP 70106 - Tobacco Prevention Activities										
03	2.00	0	1,700,000	0	1,700,000	2.00	0	1,700,000	0	1,700,000
DP 70109 - Chronic Disease Programs										
03	5.00	0	2,700,000	0	2,700,000	5.00	0	2,700,000	0	2,700,000
Total	8.00	\$0	\$4,400,000	\$59,080	\$4,459,080	8.00	\$0	\$4,400,000	\$59,392	\$4,459,392

DP 70017 - FTE Request for MT Breast & Cervical Health Prg - The legislature provided for 1.00 FTE and federal spending authority to convert the current modified position of Montana Breast and Cervical Health Program (MBCHP) health educator to a permanent position. This position provides direction, technical assistance, and training for local MBCHP contractors, programs serving Montana's American Indians, and the network of MBCHP medical service providers.

DP 70106 - Tobacco Prevention Activities - The legislature provided for 1.00 FTE and \$1.7 million in state special revenue for each year of the biennium for Montana tobacco prevention activities. These funds support community-based programs, spit tobacco use prevention, college programs, additional quit-line activities, enhanced surveillance, and reducing smoking during pregnancy.

The funding provides:

- o \$300,000 for twelve of the remaining Montana counties that currently do not have tobacco prevention funding for community-based efforts
- o \$98,100 to fund Glacier, Big Horn, and Jefferson counties to support larger populations
- o \$60,000 for salary and benefits for 1.00 FTE to manage, train, and offer technical assistance to the additional county programs
- o \$200,000 to develop and implement a statewide public education campaigns focusing on spit tobacco use prevention

- \$240,000 to develop and implement a public education and awareness campaign focusing on the benefits of smoking cessation during pregnancy and where to go for help (e.g. provider and the Quit Line)
- \$200,000 to establish new college campus tobacco prevention programs
- \$381,900 to develop and implement ongoing statewide public education campaigns targeting youth
- \$120,000 to develop and implement targeted tobacco quit line outreach
- \$100,000 to enhance surveillance for tobacco prevention

Included in the goals and measurable objectives provided in the division template is the goal of reducing the prevalence of smoking among Montanans aged 18 to 24 years old from 25 percent to 23 percent by June 2009.

DP 70109 - Chronic Disease Programs - The legislature approved \$2.7 million each year of the biennium in state special revenue funds from the tobacco settlement funds dedicated to tobacco cessation and prevention activities to fund chronic disease programs to reduce the burden of tobacco related disease contingent on the passage of legislation to include chronic disease programs in the definition of programs for tobacco disease prevention.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Primary Prevention of Diabetes and Heart Disease – (2 FTE and \$625,000 in FY 2008 and FY 2009)

The Public Health & Safety Division will establish programs in local health departments, community health centers, diabetes education programs, or other appropriate health care facilities to promote increased physical activity, improved nutrition, maintenance of ideal body weight and tobacco use cessation among persons at high risk for developing diabetes, who are also at elevated risk for heart disease, stroke and other complications. In addition, the funds would be used for the development of supportive technology and health education materials for these programs.

Justification: Heart disease and diabetes are leading causes of morbidity and mortality in Montana. One in four Montana adults are at risk for developing diabetes, as well as at elevated risk for heart disease, stroke and other complications. Among Montana American Indians the risk of dying of heart disease is 29 percent higher than among white Montanans, and the risk of dying of diabetes is 29 percent higher. The prevalence of overweight and obesity in Montana has continued to increase in Montana, which results in increasing number of Montanans with pre-diabetes, diabetes, metabolic syndrome, and increasing numbers of women with gestational diabetes. The Diabetes Prevention Program, a national study, has shown that with lifestyle intervention (healthy eating and increased physical activity), adults (including women with a history of gestational diabetes) can reduce their risk of developing diabetes by 58 percent and their future risk of developing heart disease and stroke.

In FY 2008 and FY 2009, \$625,000 and \$625,000 is requested to provide funding for the local pilot projects, and to cover the cost of the expert diabetes prevention consultants, training for the local site coordinators, and the salary and benefits for the state FTE, respectively.

Goal: To prevent diabetes, and cardiovascular disease among person at high risk for diabetes.

Performance Criteria and Milestones:

Objective 1 – Identify program sites and implement diabetes and heart disease prevention programs.

- Implement program in initial sites – December 31, 2007
- Enhance program in initial sites and initiate additional sites – July 1, 2008

Objective 2 - Develop and implement enhanced surveillance of risk factors and health behaviors among persons at high risk for developing diabetes and heart disease.

Objective 3 – Assess the clinical outcomes of persons enrolling in this program.

- Evaluate programs by June 30, 2009

FTE: 2 FTE

Funding: Master Settlement Agreement Funds

Obstacles: Recruiting qualified staff to deliver the program and implementing it consistent with protocols used in the national Diabetes Prevention Program study.

Risk: This is a contemporary public health issue that if not addressed, will result in widespread illness, disability and death in our state, as well as escalating health care costs. Not implementing these activities will lead to a continued increase in the number of Montanans with diagnosed diabetes, heart disease and stroke.

Improve Acute Stroke Care in Rural Montana – (\$625,000 in FY 2008 and FY 2009)

The Cardiovascular Health (CVH) Program will conduct projects with the Stroke-Doc telemedicine system. The projects would include four rural hospitals and four primary stroke centers. The system provides two-way audio/video communication allowing neurologist consultation with the local hospital; transmission of the patient's CT to the neurologist, and flexibility to do consults outside of the hospital. Existing telemedicine systems in Montana cannot meet these requirements. This pilot will help address the disparities in care that stroke patients face in rural Montana. For sustainability of the project, the CVH Program will work with the sites to identify potential funding sources once the pilot is completed. The CVH Program will also expand its public education campaigns to increase community awareness of the warning signs and risk factors for stroke and to increase community awareness of the need to call 911 when experiencing these warning signs.

Justification: Stroke is the third leading cause of death in Montana. Among Montana American Indians the risk of dying of stroke is 23 percent higher than among white Montanans. By identifying the signs and symptoms of ischemic stroke (80 percent of strokes are ischemic) early, timely administration of tissue plasminogen activator (tPA) therapy can lessen or even eliminate the permanent effects of a stroke. To be effective, this must be administered within 3 hours of a stroke. Data from a national stroke registry indicated that in 2005, only between 3 and 8.5 percent of ischemic stroke patients received tPA. These projects will allow timely consultation by a neurologist to rural areas of Montana. The public education campaign will improve recognition of the signs and symptoms of stroke in the general public, so persons can initiate timely access to health care.

In FY 2008 and FY 2009, \$625,000 and \$625,000 is requested to purchase the StrokeDoc system for the participating rural hospitals and to cover the cost of the statewide public education campaign.

Goals:

By June 2009, increase community awareness of the warning signs of acute stroke.

By June 2009, establish a baseline measure of the proportion of eligible persons with an acute ischemic stroke who receive thrombolytic therapy.

Performance Criteria and Milestones:

Objective 1 – Develop and implement programs to improve acute stroke care in rural Montana.

- Implement program in initial sites – December 31, 2007
- Enhance program in initial sites and expand to additional sites – July 1, 2008

Objective 2 - Develop and implement enhanced surveillance of acute ischemic stroke care in Montana.

- Evaluate program in new sites – June 30, 2009

FTE: Will use existing FTE.

Obstacles: None

Risk: Not implementing these activities will lead to a continued increase in the number of Montanans with long-term effects and even deaths from stroke.

Comprehensive Cancer Control – (2 FTE and \$1,100,000 in FY 2008 and FY 2009)

The Comprehensive Cancer Control Program at the Department of Public Health and Human Services in partnership with the Montana Comprehensive Cancer Control Coalition has prioritized strategies for the next 5 years. We are proposing to increase the efforts of the Montana Comprehensive Cancer Control Program MCCCCP, the Montana Breast and Cervical Health Program (MBCHP) and the Montana Central Tumor Registry (MCTR), using the strategies in the Montana Comprehensive Cancer Control Plan, primarily through contracted services with local and tribal health departments, community health centers, private medical service providers, and I.H.S. This request is for 2 new FTE and \$1,100,000 per year of the biennium.

Specific activities will include direct screening services to women at greatest risk for breast and cervical cancer; conducting regional and statewide needs assessments, public and professional education on screening and early detection, enhanced data collection, cancer surveillance and evaluation, outreach to disparate populations, particularly Montana's American Indian population.

Justification: Cancer is the second leading cause of death in Montana and at least 30% of these cancer deaths are attributable to tobacco use. Fifty percent of all cancer deaths are preventable. There are significant disparities in access to prevention, screening, early detection and treatment among Montana's populations in urban, rural, and frontier areas. American Indians in Montana are 42 percent higher risk of dying of cancer than white Montanans.

Goals and objectives:

Goal 1: By June 30, 2009, increase the number of women screened per fiscal year for breast and cervical cancer through the MBCHP by 1,500 – 2,000. (FY 2006 baseline: 3,500)

Performance Criteria and Milestones:

Objective 1: Identify barriers to screening early detection, and treatment services.

Objective 2: Increase compliance with and the number of Montanans screened using cancer-screening guidelines.

Objective 3: Increase the cancer-screening services available to under- and uninsured Montanans.

- Implement comprehensive cancer control in local communities through contracts with local health departments, and MBCHP community based networks and medical service providers -- July 1, 2007
- Establish similar contracts on Montana Indian reservations for comprehensive cancer control – July 1, 2008
- Increase the number of women screened who are at risk for breast and cervical cancer – by June 30, 2009

Goal 2: By June 30, 2009, the Montana's Comprehensive Cancer Control Section will publish at least two reports per year describing cancer in Montana (Baseline: Montana has published tumor registry data sporadically)

Performance Criteria and Milestones:

Objective 1: Develop and enhance cancer surveillance data through the BRFFS, the MCTR, and the MBCHP.

Objective 2: Improve timeliness for reporting of reportable cancer cases within the year of diagnosis.

Objective 3: Improve availability, accessibility and utilization of cancer-related data.

Objective 4: Increase the percentage of cancer patients given care consistent with national treatment standards.

- Implement improvements in surveillance systems by June 30, 2008
- Publish reports by June 30, 2009.

FTE: 2 FTE

Funding FY 2008

- \$455,000 to enhance the current contracts with 13 local health departments to develop and implement cancer control activities. These would be performance based contracts, support at least .5 FTE, and would include responsibility to: work with medical service providers to promote compliance with screening guidelines; increase breast and cervical cancer screening in their service areas; assist with implementation of the statewide needs assessment described below; provide education on prevention, early detection and treatment; and expand their cancer coalition activities.
- \$115,000 to enhance the current MBCHP contracts with local health departments to recruit and provide screening support to 1000 women age 30 through 50.
- \$200,000 to pay medical service providers statewide for direct clinical screening and diagnostic services through the MBCHP for women age 30 through 40 for cervical cancer and 40 through 50 for breast and cervical cancer.
- \$85,000 contract awarded to conduct a needs assessment to identify barriers for all Montanans. Particularly barriers to screening, treatment (access to clinical trials) and end-of-life care. Would be coordinated with current work being done in limited communities.
- \$20,000 for Montana specific public awareness on screening and early cancer detection for breast, cervical, colorectal and prostate cancer, including materials for women 30-50 years of age who are never or rarely screened for cervical cancer.
- \$61,000 to purchase a Citrix server for the MCTR to contract with a programmer to enhance the MCTR data collection and reporting system to allow doctor's offices, clinics and hospitals to submit electronic data required through Montana statute.
- \$40,000 to contract with a programmer to enhance the MBCHP data collection and reporting system to allow local contractors to submit data and track and follow MBCHP clients electronically.
- \$124,000 (salary and benefits) for 1.00 cancer education coordinator and a 1.00 contract manager for the MCCCCP.

Funding FY 2009

- \$455,000 to continue the contracts with 13 local health departments to develop and implement cancer control activities. These would be performance based contracts, support at least .5 FTE, and would include responsibility to: work with medical service providers to promote compliance with screening guidelines; increase breast and cervical cancer screening in their service areas; assist with implementation of the statewide needs assessment described below; provide education on prevention, early detection and treatment; and expand their cancer coalition activities.
- \$172,500 to enhance the current MBCHP administrative site contracts with local health departments to recruit and provide screening support to 1500 women age 30 through 50.
- \$300,000 to pay medical service providers statewide for direct clinical screening and diagnostic services through the MBCHP to women age 30 through 40 for cervical cancer and 40 through 50 for breast and cervical cancer.
- \$172,500 to fund programs in each reservation community to develop and implement cancer control activities, similar to those described above with local health departments.

Evaluation: The community-based programs will be evaluated on quarterly and annual progress through performance based contracts. The number of women screened will be documented through the MBCHP data system. The timeliness and quality of MCTR data will be evaluated quarterly and reported annually.

Obstacles: Continuing to shift program focus from breast and cervical health to comprehensive cancer control.

Risk: Cancer is the second leading cause of death in Montana and if not addressed, will result in continued widespread morbidity, and escalating health care costs.

Asthma Surveillance and Control Project – (1 FTE and \$350,000 in FY 2008 and FY 2009)

Asthma is a common condition that currently cannot be prevented or cured. However, it can be controlled to help persons with asthma lead productive lives. The cornerstones of effective asthma control are: 1) following a thorough medical management plan and (2) avoiding contact with environmental substances (notably tobacco smoke) that trigger asthma.

attacks. This project will establish surveillance for asthma, identify the risks associated with inadequately controlled asthma in Montana, and implement steps to improve the control of this controllable disease.

Justification: Effective asthma control can markedly decrease emergency department visits and hospitalizations for persons with asthma. This results in cost savings from decreased health care utilization. Even more importantly, effective control has been shown to improve the quality of life for persons with asthma. This improvement includes decreases in missed school and work days which allows students to learn and workers to be productive.

In FY 2008 and FY 2009, \$350,000 and \$350,000 is requested to provide funding for the local surveillance and quality improvement projects, and to cover the cost of the expert asthma physician consultant, quality improvement software and maintenance, and the salary and benefits for the two state FTEs, respectively.

Goal: Assess and improve control of asthma in Montana youth (aged (18 years)

Performance Criteria and Milestones:

Objective 1 – Establish surveillance for asthma visits in at least 6 emergency departments (3 in large city hospitals; 3 in small town hospitals), and produce/disseminate quarterly surveillance reports regarding asthma control in Montana.

- Implement ED surveillance by December 31, 2007

Objective 2 – Identify risk factors associated with emergency department use by young persons with asthma with particular emphasis on whether or not these persons have adequate written asthma management plans.

Objective 3 – Implement an Asthma Quality Care Management System in at least one physician office/clinic in each of the cities and towns in which emergency department surveillance has been established.

- Implement asthma quality improvement interventions – March 30, 2008
- Evaluate program – June 30, 2009

FTE: 1 FTE

Obstacles: Recruiting qualified staff.

Risk: This is a contemporary public health issue that if not addressed, will result in continued widespread morbidity, and escalating health care costs.

Sub-Program Details

FAMILY & COMMUNITY HEALTH 04

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	33.25	0.00	0.00	33.25	0.00	0.00	33.25	33.25
Personal Services	1,395,371	399,031	0	1,794,402	404,684	0	1,800,055	3,594,457
Operating Expenses	1,909,144	(4,891)	290,000	2,194,253	(969)	0	1,908,175	4,102,428
Grants	6,273,515	0	1,115,175	7,388,690	0	1,136,523	7,410,038	14,798,728
Benefits & Claims	10,032,584	(242,559)	646,548	10,436,573	(242,559)	852,714	10,642,739	21,079,312
Total Costs	\$19,610,614	\$151,581	\$2,051,723	\$21,813,918	\$161,156	\$1,989,237	\$21,761,007	\$43,574,925
General Fund	589,760	(27,406)	826,523	1,388,877	(27,109)	536,523	1,099,174	2,488,051
State/Other Special	959,517	(258,585)	787,790	1,488,722	(258,160)	978,004	1,679,361	3,168,083
Federal Special	18,061,337	437,572	437,410	18,936,319	446,425	474,710	18,982,472	37,918,791
Total Funds	\$19,610,614	\$151,581	\$2,051,723	\$21,813,918	\$161,156	\$1,989,237	\$21,761,007	\$43,574,925

The legislative budget for family and community health services increases about \$4.4 million over the FY 2009 biennium when compared to the FY 2006 base budget. Federal revenues support \$1.7 million of the increase and state special revenues add about \$1.2 million. The state special revenues fund additional support for the Genetics Program and public home health visits. General fund increases in FY 2008 for a new proposal related to WIC computer programming and one-time-only funding of family planning services.

The state special revenue funding for the Genetics Program was reduced by \$242,559 in FY 2008 and FY 2009 in the present law adjustments to reflect the statutory sunset of a \$0.30 per insurance policy increase used to fund the program. The legislature approved the elimination of the change in HB 278. This funding was included as part of DP 70024, \$279,616 state special revenue in FY 2008 and \$288,004 in FY 2009. Additional state special revenue funding of \$200,000 each year was included for the program to align appropriations with revenue. The effect of the three decision packages was to increase support for the Genetics Program by \$482,502 over the biennium. The legislature directed the division to ensure performance measures related to the number of people served and that the number and frequency of clinics provided be included as part of the contract for the program to address LFD issues with the use of additional funding in the previous biennium. In addition, HJR 47 as passed and approved requests an interim committee study on the funding, expenditures, and effectiveness of Montana's statewide Genetics Program.

The legislature approved additional support to expand the current panel of tests conducted at birth from 4 to 29. This program provides clinical diagnostic and support services for families and primary care providers of babies identified with an abnormal condition from the expanded panel of newborn screening tests.

The legislature also provided one-time-only support for family planning services of \$1.1 million in general fund. This funding is to provide assistance with higher costs for contraceptives provided by various family planning clinics throughout Montana.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				473,796					479,686	
Vacancy Savings				(74,765)					(75,002)	
Inflation/Deflation				1,681					1,846	
Fixed Costs				(6,572)					(2,815)	
Total Statewide Present Law Adjustments				\$394,140					\$403,715	
DP 70104 - Reduce Base Level Funding For Genetics Program	0.00	0	(242,559)	0	(242,559)	0.00	0	(242,559)	0	(242,559)
Total Other Present Law Adjustments	0.00	\$0	(\$242,559)	\$0	(\$242,559)	0.00	\$0	(\$242,559)	\$0	(\$242,559)
Grand Total All Present Law Adjustments				\$151,581					\$161,156	

DP 70104 - Reduce Base Level Funding For Genetics Program - The legislature included a reduction in the base level expenditure spending authority because the fee on insurance premiums to support the Montana Genetics Program will revert back to \$0.70 effective July 1, 2007. The fee was \$1.00 during the 2007 biennium and will be \$0.70 under current law. New proposal DP 70024 offsets this reduction based on the passage and approval of HB 278, which eliminated the sunset on the fee increase. Further increases to the appropriation were made in DP 70112, which aligns the appropriation to the budgeted revenues.

New Proposals

New Proposals										
Fiscal 2008					Fiscal 2009					
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70003 - WIC IT System Maintenance (BIEN/OTO)										
04	0.00	290,000	0	0	290,000	0.00	0	0	0	0
DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation)										
04	0.00	0	129,522	37,410	166,932	0.00	0	290,000	74,710	364,710
DP 70014 - Youth Suicide Prevention Program										
04	0.00	0	0	400,000	400,000	0.00	0	0	400,000	400,000
DP 70023 - Family Planning Services (Restricted/OTO)										
04	0.00	536,523	0	0	536,523	0.00	536,523	0	0	536,523
DP 70024 - Genetics Program Funding										
04	0.00	0	279,616	0	279,616	0.00	0	288,004	0	288,004
DP 70103 - Tobacco Trust Fund Sup for Pblc Hlth Home Visits										
04	0.00	0	178,652	0	178,652	0.00	0	200,000	0	200,000
DP 70111 - Additional Genetic Program Funding (Restricted)										
04	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
Total	0.00	\$826,523	\$787,790	\$437,410	\$2,051,723	0.00	\$536,523	\$978,004	\$474,710	\$1,989,237

DP 70003 - WIC IT System Maintenance (BIEN/OTO) - The legislature provided \$290,000 of general fund to sustain the current WIC IT system until a USDA state agency model (SAM) is available to DPHHS. Estimated availability of the federal system is FY 2009 at the earliest, with roll out to states by FY 2010. This computerized system is used to maintain documentation on eligibility and reporting requirements, and to issue food instruments, which serve as currency for participants to obtain supplemental foods.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: To sustain current system until a USDA state agency model acceptable to DPHHS is available and to make the current system more compatible with modern hardware and software. The extraction of information outside of preset definitions is cumbersome and requires the time and expertise of the programmers.

Goal: The goal of this request is for the WIC program to continue to use their existing statewide computer networked program until a new federal system can be acquired in FY 2009 or FY 2010.

Performance Criteria:

- Computer Programmer – a contract position to work on the WIC computer program to make adjustments and upgrades
- Planning contractor – to assist the WIC Program in planning and applying for a new WIC computer system.

Milestones:

- To keep the state office and the ninety-nine local clinics computer program running until a new system can be acquired.
- Complete and receive approval of the WIC Information System Planning Advance Planning Document by May 2008.

FTE: No additional FTE are requested. Existing DPHHS staff will monitor the program.

Funding: 100 percent general fund. Federal funds for database changes are not available as these resources are currently being used to develop the new federal SAM.

Obstacles:

- Current system is twelve years old and written in computer languages that are no longer used.
- Staffing – it is difficult to hire programmers who can work on the current system because of the outdated programming language.
- Currently there is not enough staff time to maintain system and revise programming.
- Current system does not collect/report required data for the program, including racial/ethnic data.
- Current system is not able to produce reports needed for the WIC Program and for other special requests that are made.

Risk:

- Loss of benefits to participants should the system fail.
- Loss of accountability for participant data and reporting to USDA.
- Loss of accountability for food benefits issued and redeemed which is approximately \$1,000,000 per month. This includes the data retained in the system, submitted to the financial institution and USDA. Jeopardizing our USDA grant with the possibility of the State having to assume the responsibility for outstanding liabilities.

DP 70005 - Newborn Screening Follow-Up Program (Requires Legislation) - The legislature approved \$129,522 in FY 2008 and \$290,000 in FY 2009 in state special revenue derived from tobacco trust fund interest to support a comprehensive newborn screening follow-up program. In addition, \$37,410 in FY 2008 and \$74,710 in federal special revenue was also appropriated for the program. Funding supports expansion of the current panel of tests conducted at birth from 4 to 29. This program will provide clinical diagnostic and support services for families and primary care providers of babies identified with an abnormal condition from the expanded panel of newborn screening tests.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The Maternal and Child Health Bureau of the federal Department of Health and Human Services recommends national adoption of a mandatory panel of 29 tests in order to ensure that all babies born in the United

States have equal access to the same screenings. Implementation of these national standards in Montana would require the addition of 24 tests currently available on an optional basis and mandatory hearing screening for all babies born in Montana. This expansion will require expanding newborn services available to the families and physicians of the babies who are screened and diagnosed as positive for the conditions tested.

Goal: Assure the availability of clinical diagnostic and support services for babies identified with an abnormal condition from the expanded panel of newborn screening tests.

Performance Criteria:

- Beginning in FY 2008, expand the newborn screening mandatory panel to 28 tests and hearing screening through department rule
- Beginning in FY 2008, contract for clinic consultation and family consultation for conditions identified from expanded panel of tests

Milestones:

- By June 30, 2008, ensure that all babies born in Montana receive the full panel of mandatory tests for inborn errors of metabolism and other conditions detected by blood sample testing
- By June 30, 2008 ensure that all babies born in Montana with conditions identified through the mandatory expanded panel of tests have access to appropriate clinical and family consultation services

FTE: No additional FTE are included in this request. Follow up program services would be contracted via RFP.

Funding: 100 percent tobacco trust fund interest funds. Allocated as follows using contracted services:

Item	Tests	Costs
Metabolic specialist (MD)	Clinic consultation	\$100,000
Nutritionist 0.5 FTE @ \$75,000/FTE)	Clinic and family consultation	\$37,500
Nurse Coordinator (0.5 FTE at \$70,000/FTE)	Clinic and family consultation	\$35,000
Family Support	Clinic and family consultation	\$30,000
Genetic Counseling (0.5 FTE)	Clinic and family consultation	\$37,500
Resources and training		\$50,000
TOTAL		\$290,000

Obstacles: Limited resources are available in-state for children with metabolic conditions. Implementation may require a request for proposal at a regional level.

Risk: Failure to implement the national standard for newborn screening for inborn errors of metabolism and other recommended conditions detected by blood sample testing will result in babies born with conditions remaining undetected unless the specific optional test is ordered by the baby's physician.

DP 70014 - Youth Suicide Prevention Program - The legislature provided for \$400,000 in federal spending authority for each year of biennium to support youth suicide prevention efforts in Montana. This funding will be used specifically to lower the rate of suicide among youth and young adults in Montana, ages 10-24. This program provides resources to communities to support and promote youth suicide prevention efforts. Federal guidelines for the grant require 85 percent of funding be expended at the local level. In Montana, \$342,460 of the \$400,000 will be contracted to communities and institutions of higher learning, including funding for the project evaluator through MSU, a public awareness campaign, and training of medical providers.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Suicide is a major statewide public health problem in Montana. Montana has ranked in the top five states with the highest rates of suicide for the past 20 years. Suicide profoundly affects individuals, families, workplaces, neighborhoods, and societies. For each completed suicide, the lives of at least six other people are deeply impacted. The economic costs alone associated with suicide and self inflicted injuries in Montana are estimated at over \$103 million dollars (Children's Safety Network 2005).

Goal: Montana seeks to prevent both fatal and non-fatal suicidal behaviors among youth and young adults 10-24 years of age. The proposed approach builds on the foundation of prior statewide youth suicide prevention efforts to develop and implement youth suicide prevention and early intervention strategies, grounded in public and private collaboration.

Performance Criteria:

Objective #1 – Improve access to and availability of appropriate prevention services for vulnerable youth in at least six and no more than 15 communities, tribes, and institutions of higher learning projects

Objective #2 – Increase access to and community linkages with mental health and substance abuse service systems serving youth and young adults

Objective #3 – Implement activities for an ongoing public information and awareness campaign to promote awareness that suicide is a public health problem and it is preventable

Objective # 4 – Establish a process that promotes effective clinical and professional practices, and oversees and supports suicide prevention activities at local and state levels

Milestones:

- Increase access to and community linkages with mental health and substance abuse service systems serving youth and young adults – Ongoing
- Formation of a statewide Task Force – Initial meeting January 2007 with quarterly meetings
- Public Information and Awareness – Ongoing
- Promotion of effective clinical and professional practices, and oversight and support of suicide prevention activities at local and state levels - Ongoing

FTE: No additional FTE is requested as existing DPHHS staff will monitor the program.

Funding: 100 percent federal funding

Obstacles:

- Lack of statewide coordination - Currently there is a lack of a statewide, strategic effort to link assets and build a stronger network of resources to address youth and young adult suicide as a major statewide public health priority. This grant funding will assist DPHHS in moving forward with the strategic effort
- Montana demographics and geography - Montana is a large frontier state with many isolated communities.
- Suicide risk factors - Montana has a high availability of lethal means, including firearms, that increase the potential lethality of impulsive suicidal behaviors
- Lack of mental health providers and treatment facilities

Risk: The suicide rate among youth in Montana will continue to be one of the highest in the nation without coordinated prevention efforts in Montana communities. The individuals and agencies that are currently addressing suicide often do so from their own unique perspective and to meet their own special needs. There needs to be a statewide, strategic effort to link these many assets together and to build a stronger network of resources to address suicide as a major statewide public health priority. This will not happen without this funding.

DP 70023 - Family Planning Services (Restricted/OTO) - The legislature provided a restricted, one-time-only general fund appropriation to provide support for family planning services to assist with the higher cost of providing contraceptives.

DP 70024 - Genetics Program Funding - The legislature includes additional state special revenue of \$279,616 in FY 2008 and \$288,004 in FY 2009 to fund the Genetics Program. The funding is due the passage and approval of HB 278, which eliminated the sunset provision for an increase in the fee on insurance premiums to support the Montana Genetics Program. The fee was \$1.00 during the 2007 biennium, which was continued in the 2009 biennium. This decision package offsets the reduction included in DP 70104 above.

DP 70103 - Tobacco Trust Fund Sup for Pbhc Hlth Home Visits - The legislature provided \$178,652 in FY 2008 and \$200,000 in FY 2009 in Tobacco Trust Fund interest funds to support public health home visits (PHHV). Family and community health will use new PHHV funding for additional public health home visiting sites and to increase funding to existing PHHV sites in order to expand home visiting services by providing intensive case management to pregnant women who are at risk for using substances while pregnant. These services are currently provided under the MIAMI program.

Family and community health contracts with 14 counties and two tribal nations to provide home visiting/community based services for high-risk pregnant women and infants. The objectives of the program are to:

- Improve pregnancy outcomes in service areas.
- Improve family functioning in target populations served.
- Monitor and improve the home environment of pregnant women and infants in the target population, considering environmental, economic, psychosocial, and medical risks.
- Decrease the incidence and impact of drug and alcohol use and abuse in the target populations

DP 70111 - Additional Genetic Program Funding (Restricted) - The legislature included increased state special revenue authority for the Genetics Program to align spending authority with revenue collections.

Sub-Program Details

COMMUNICABLE DISEASE CONTROL & PREV 05

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	30.68	0.00	0.00	30.68	0.00	0.00	30.68	30.68
Personal Services	1,314,696	216,343	0	1,531,039	222,246	0	1,536,942	3,067,981
Operating Expenses	1,046,634	20,014	0	1,066,648	24,146	0	1,070,780	2,137,428
Equipment	16,900	0	0	16,900	0	0	16,900	33,800
Grants	2,278,933	0	60,000	2,338,933	0	460,000	2,738,933	5,077,866
Benefits & Claims	625,360	0	150,000	775,360	0	150,000	775,360	1,550,720
Total Costs	\$5,282,523	\$236,357	\$210,000	\$5,728,880	\$246,392	\$610,000	\$6,138,915	\$11,867,795
General Fund	514,164	57,591	150,000	721,755	59,012	150,000	723,176	1,444,931
State/Other Special	744,518	91,610	60,000	896,128	93,463	460,000	1,297,981	2,194,109
Federal Special	4,023,841	87,156	0	4,110,997	93,917	0	4,117,758	8,228,755
Total Funds	\$5,282,523	\$236,357	\$210,000	\$5,728,880	\$246,392	\$610,000	\$6,138,915	\$11,867,795

The Communicable Disease and Prevention 2009 biennium budget is about \$1.3 million higher over the biennium than the FY 2006 base budget. Federal special revenues increase \$0.2 million and state special revenues increase about \$0.7 million over the period. The increase in state special revenue in FY 2009 includes support for HPV vaccine funded with tobacco settlement interest. General fund increases about \$0.4 million, of which \$0.3 million is due to increased funding for HIV medications. The remainder of the increase is due to present law adjustments.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				280,136					286,283
Vacancy Savings				(63,793)					(64,037)
Inflation/Deflation				3,205					3,473
Fixed Costs				16,809					20,673
Total Statewide Present Law Adjustments				\$236,357					\$246,392
Grand Total All Present Law Adjustments				\$236,357					\$246,392

Statewide present law adjustments for personal services show an annual 21 percent increase over the personal services base budget amount. About \$100,000 is attributable to annualization of the pay plan approved in HB 447 of the 2005 Legislature. The remaining \$180,000 is due to restoration of funding for base year vacancies. During FY 2006 family and community health had an overall vacancy rate in authorized FTE hours of 16.5 percent.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70007 - HIV Treatment Funding Request										
05	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation)										
05	0.00	0	60,000	0	60,000	0.00	0	60,000	0	60,000
DP 70110 - HPV Vaccine (Restricted/OTO)										
05	0.00	0	0	0	0	0.00	0	400,000	0	400,000
Total	0.00	\$150,000	\$60,000	\$0	\$210,000	0.00	\$150,000	\$460,000	\$0	\$610,000

DP 70007 - HIV Treatment Funding Request - The legislature provided an increase of \$150,000 general fund for each year of the biennium for HIV treatment. As of October 2006, there were 22 individuals waiting to be enrolled into the Montana AIDS Drug Assistance Program (ADAP). Additional funds will allow the department to supply some of the individuals with HIV medications using the significant ADAP discount. Currently, general fund is used to cover federal funding gaps and to meet a 1:4 state federal match. The current average cost for HIV medication through ADAP is \$8,811 per person per year. The increased funding will create 16 additional ADAP slots and sustain that increased enrollment for two years.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: ADAP medications are purchased using a federally-negotiated discount and cost even less than Medicaid-funded drugs. HIV treatment funds permit Montana to access supplemental federal funds by meeting a 1:4 state/federal match, and thus take full advantage of the cost-effective ADAP discount. Reduced federal funding over the last two years, combined with rising prescription costs and increased eligible clients, has led an ADAP waiting list of over 20 Montanans. Some have been waiting to be enrolled for as long as 18 months.

Goals:

- Reduce HIV morbidity and mortality by preventing progression to AIDS
- Reduce transmission risk by lowering viral load: a less infectious person lowers public health risk.
- Improve client health, quality of life, and productivity
- Decrease the need for expensive inpatient care

Performance Criteria:

- Increase current combined amount of federal and state funding to allow a total enrollment of 87 persons
- Decrease waiting list by 75 percent

Milestones:

- By December 2007, enroll 16 new persons onto ADAP
- Through June of 2008, maintain new enrollment level average of 87 ADAP clients per month

FTE: No additional FTE requested, existing DPHHS staff will monitor the program.

Funding: 100 percent general fund.

Obstacles: Since there is an established waiting list at this time the department will be able to provide service immediately to those in need with no known obstacle.

Risk: Continued under-funding could lead to an unmanageable waiting list number and possible serious health consequences. No patients have gone without medicines to date because of a process to get donated medicines. However, this process is burdensome, unpredictable, and dependent on providers outside of our control. For the HIV infected person to have a well controlled virus requires high adherence to a treatment regimen including a stable and reliable supply of medications. The waiting list puts some individuals at risk for not receiving a supply of medications.

DP 70016 - FCSS Spending Authority for Pool Inspections (Requires Legislation) - The legislature provided for \$60,000 in state special revenue spending authority for each year of the biennium to allow Food and Consumer Safety to recover costs associated with inspections performed by PHSD employees. Many health departments defer the inspection and implementation of pool and spa programs to PHSD and the division will use the authority for the additional revenue to cover personnel costs associated with the maintenance of the program.

DP 70110 - HPV Vaccine (Restricted/OTO) - The legislature included a restricted one-time-only appropriation of tobacco settlement interest in FY 2009 to provide HPV vaccine to uninsured or underinsured Montanans.

Sub-Program Details

LAB 07

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	28.27	0.00	0.00	28.27	0.00	0.00	28.27	28.27
Personal Services	1,340,071	107,945	0	1,448,016	112,705	0	1,452,776	2,900,792
Operating Expenses	1,610,929	184,880	50,000	1,845,809	196,109	50,000	1,857,038	3,702,847
Equipment	109,381	0	145,000	254,381	0	145,000	254,381	508,762
Total Costs	\$3,060,381	\$292,825	\$195,000	\$3,548,206	\$308,814	\$195,000	\$3,564,195	\$7,112,401
General Fund	172,695	9,038	45,000	226,733	9,769	45,000	227,464	454,197
State/Other Special	2,465,337	261,290	100,000	2,826,627	274,311	100,000	2,839,648	5,666,275
Federal Special	422,349	22,497	50,000	494,846	24,734	50,000	497,083	991,929
Total Funds	\$3,060,381	\$292,825	\$195,000	\$3,548,206	\$308,814	\$195,000	\$3,564,195	\$7,112,401

The Laboratory Services Bureau 2009 biennium legislative budget increases about \$1 million over the biennium, split between general fund and state special revenue from laboratory testing fees. State special revenue for the program is generated through fees assessed for laboratory tests in both the environmental and public health laboratories. The legislature approved funding increases to support additional laboratory equipment purchases.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					168,278					173,239
Vacancy Savings					(60,333)					(60,534)
Inflation/Deflation					282					296
Fixed Costs					54,598					65,813
Total Statewide Present Law Adjustments					\$162,825					\$178,814
DP 70011 - Increase Spending Authority for Laboratory										
	0.00	0	130,000	0	130,000	0.00	0	130,000	0	130,000
Total Other Present Law Adjustments										
	0.00	\$0	\$130,000	\$0	\$130,000	0.00	\$0	\$130,000	\$0	\$130,000
Grand Total All Present Law Adjustments					\$292,825					\$308,814

DP 70011 - Increase Spending Authority for Laboratory - The legislature approved \$130,000 for each year of biennium in state special spending authority to meet projected increases in the DPHHS laboratory supply expenses.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 70002 - Ongoing Lab Equipment Replace & Maintenance (OTO)										
07	0.00	45,000	100,000	0	145,000	0.00	45,000	100,000	0	145,000
DP 70013 - Food Emergency Response Network Grant										
07	0.00	0	0	50,000	50,000	0.00	0	0	50,000	50,000
Total	0.00	\$45,000	\$100,000	\$50,000	\$195,000	0.00	\$45,000	\$100,000	\$50,000	\$195,000

DP 70002 - Ongoing Lab Equipment Replace & Maintenance (OTO) - The legislature provided an increase of \$45,000 in general fund and \$100,000 in state special revenue for each year of the biennium to support state laboratory infrastructure. This infrastructure support is for equipment and instrument replacement and maintenance in the DPHHS Laboratory Services Bureau along with support for supplies and training for specialized testing.

The equipment that will be replaced in the 2009 biennium includes:

- o Total organic carbon analyzer \$25,000
- o Alkalinity/PH/conductivity system \$35,000
- o Inductively coupled plasma spectrophotometer for measuring metals in water \$120,000
- o Flow injection autoanalyzer for measuring anions in water \$45,000
- o Analytical microbalance for air monitoring \$20,000
- o Smaller instruments such as a muffle furnace, a water bath, 2 incubators, a mechanical convection oven, an analytical balance, 6 computer work stations, and a laboratory refrigerator \$45,000
- o Automated serology analyzer to detect antibodies to infectious diseases is needed to modernize testing procedures \$60,000

DP 70013 - Food Emergency Response Network Grant - The legislature provided an increase in federal authority of \$50,000 for each year of biennium for the Food Emergency Response Network (FERN) grant. The authority will bring the base in line with the expected grant award. The Laboratory Services Bureau was funded by a federal grant from USDA in September 2005 to enhance capacity for the laboratory for Food Emergency Response Network (FERN). The grant funding is expected to continue through the 2009 biennium. The funding is for laboratory equipment and supplies related to testing foods for bacterial pathogens.

Sub-Program Details

PUBLIC HEALTH SYS IMPROV & PREPAREDNESS 09

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	30.79	0.00	0.00	30.79	0.00	0.00	30.79	30.79
Personal Services	1,424,729	191,317	0	1,616,046	197,174	0	1,621,903	3,237,949
Operating Expenses	2,380,530	(56,114)	0	2,324,416	(51,746)	0	2,328,784	4,653,200
Equipment	122,281	0	0	122,281	0	0	122,281	244,562
Grants	5,387,536	1,541,925	0	6,929,461	1,541,925	0	6,929,461	13,858,922
Benefits & Claims	5,034	0	0	5,034	0	0	5,034	10,068
Total Costs	\$9,320,110	\$1,677,128	\$0	\$10,997,238	\$1,687,353	\$0	\$11,007,463	\$22,004,701
General Fund	20,150	1,239	0	21,389	1,276	0	21,426	42,815
State/Other Special	8,404	65,517	0	73,921	65,532	0	73,936	147,857
Federal Special	9,291,556	1,610,372	0	10,901,928	1,620,545	0	10,912,101	21,814,029
Total Funds	\$9,320,110	\$1,677,128	\$0	\$10,997,238	\$1,687,353	\$0	\$11,007,463	\$22,004,701

The 2009 biennium budget for the Public Health System Improvement and Preparedness function increases about \$3.4 million when comparing the 2009 biennium with the FY 2006 base budget. The increases result from federal revenues of \$1.8 million per year for pandemic flu preparation and response, partially offset by a decrease of \$0.4 million due to loss of the federal environmental health tracking grant.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				258,651					264,754
Vacancy Savings				(67,334)					(67,580)
Inflation/Deflation				3,500					4,140
Fixed Costs				7,874					10,799
Total Statewide Present Law Adjustments				\$202,691					\$212,113
DP 70015 - Public Health Emergency Preparedness									
0.00	0	0	1,800,000	1,800,000	0.00	0	0	1,800,000	1,800,000
DP 70018 - BRFS Spending Authority Increase									
0.00	0	0	40,000	40,000	0.00	0	0	40,000	40,000
DP 70023 - BRFS-02 Fee Account Continued Spending Authority									
0.00	0	65,000	0	65,000	0.00	0	65,000	0	65,000
DP 70101 - Reduce Budget for Environmental Pub Hlth Tracking									
0.00	0	0	(430,563)	(430,563)	0.00	0	0	(429,760)	(429,760)
Total Other Present Law Adjustments									
0.00	\$0	\$65,000	\$1,409,437	\$1,474,437	0.00	\$0	\$65,000	\$1,410,240	\$1,475,240
Grand Total All Present Law Adjustments				\$1,677,128					\$1,687,353

DP 70015 - Public Health Emergency Preparedness - The legislature included \$1.8 million per year of biennium for federal spending authority for Montana to prepare for and respond to a pandemic flu event.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The U.S. Centers for Disease Control and Prevention (CDC) provides funding to assist state and local agencies prepare for an influenza pandemic. Funding is allocated to each state on a population based formula and requires state and local jurisdictions to complete assessments intended to measure local response capabilities, and develop and exercise a variety of response plans to ensure a coordinated response to an influenza pandemic.

Goals: To ensure a coordinated effort among state and local response agencies to ensure that systems are in place to protect the public health in the event of a pandemic influenza outbreak.

Performance Criteria: During the contract period DPHHS will have received and evaluated progress reports and work plans from 58 jurisdictions (51 county health and 7 tribal) receiving funding for pandemic influenza planning efforts. State and local contractors will conduct drills and exercises to ensure that information is available for prescribed performance measures by CDC. Contractors will plan drills and exercises that stress their routine and urgent response systems to ensure that they are building capacity for larger events.

Milestones: Each year of the biennium the division will provide specific guidance for pandemic influenza preparedness to local and tribal agencies. Agencies will submit work plans and, in some cases, refined response plans. The State of Montana has data systems in place to accurately capture required information and report requested information to the CDC.

FTE: No additional FTE are requested. Existing DPHHS staff will monitor the program.

Funding: 100 percent Federal funding

Obstacles: Demand on local agencies related to emergency preparedness and pandemic influenza are increasing and smaller jurisdictions may have trouble developing adequate plans. DPHHS and partners agencies will continue to assist as needed to help ensure each area develops reasonable emergency response plans.

Risk: Failure to develop and exercise plans supported through this funding would increase the likelihood of illnesses and deaths in the event of an influenza pandemic.

DP 70018 - BRFSS Spending Authority Increase - The legislature increased federal authority \$40,000 for each year of biennium for the behavioral risk factor surveillance system (BRFSS). This authority is to balance the base with the expected grant award. Increased funding includes: increased costs of administering the survey with a contracted survey company, increased sample size of Montana adults (6,000) to allow for meaningful subpopulation/regional analyses, and an over-sampling of Montana's Native American population in order to understand high-risk populations and the relationship between behaviors and health outcomes.

DP 70023 - BRFSS-02 Fee Account Continued Spending Authority - The legislature provided \$65,000 in state special revenue for each year of the biennium for the BRFSS fee account. When a program requests the addition of new items to the BRFSS survey, fees are collected to help support some of the state effort for the collaborative agreement with CDC/BSB. As a collaborative agreement, the BRFSS data users who request items be placed on the annual on-going survey are expected to help pay for such services through their own program funds.

DP 70101 - Reduce Budget for Environmental Pub Hlth Tracking - The legislature included a reduction in federal authority to the base budget of \$430,463 for each year of the biennium for an environmental public health tracking grant. Montana was not granted funds for the implementation phase of the program and the program will not continue.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	109.95	1.00	6.75	117.70	1.00	8.50	119.45	119.45
Personal Services	5,249,065	689,612	517,514	6,456,191	713,993	867,806	6,830,864	13,287,055
Operating Expenses	1,529,230	177,517	55,117	1,761,864	189,133	50,511	1,768,874	3,530,738
Equipment	7,645	0	0	7,645	0	0	7,645	15,290
Grants	539,697	0	0	539,697	0	0	539,697	1,079,394
Total Costs	\$7,325,637	\$867,129	\$572,631	\$8,765,397	\$903,126	\$918,317	\$9,147,080	\$17,912,477
General Fund	1,980,699	373,236	184,548	2,538,483	386,869	321,892	2,689,460	5,227,943
State/Other Special	134,137	56,877	37,464	228,478	57,388	40,238	231,763	460,241
Federal Special	5,210,801	437,016	350,619	5,998,436	458,869	556,187	6,225,857	12,224,293
Total Funds	\$7,325,637	\$867,129	\$572,631	\$8,765,397	\$903,126	\$918,317	\$9,147,080	\$17,912,477

Program Description

The role of the Quality Assurance Division (QAD) is to protect the safety and well-being of Montanans by monitoring and ensuring the integrity and cost-effectiveness of programs administered by the department. The division fulfills this role by providing comprehensive services that:

1. Protect the safety of clients that utilize Montana's health care, day care, and residential providers through licensure of 2,178 facilities. Of these facilities, 296 are certified by the division for participation in the Medicare and Medicaid programs;
2. Detect and investigate abusive or fraudulent practices affecting the Medicaid, TANF and Food Stamp programs, and initiate recovery efforts;
3. Reduce Medicaid costs by identifying other insurers or parties responsible for paying a client's medical expenses;
4. Provide both internal and external independent audits for DPHHS programs;
5. Provide independent fair hearings for clients and providers participating in DPHHS programs;
6. Monitor and evaluate health maintenance organizations for quality assurance and network adequacy;
7. Maintain a Certified Nurse Aide Registry;
8. Approve and monitor nurse aide training programs;
9. Operate the Certificate of Need (CON) Program; and
10. Operate the internal HIPAA function for the department.

The division has field offices in Anaconda, Billings, Bozeman, Great Falls, Havre, Hinsdale, Kalispell, Livingston, Miles city, and Missoula.

Statutory authority: 42 U.S.C. 1818 and 42 U.S.C 1919; 45 U.S.C.; Title 50, Chapter 5, parts 1 and 2; Title 50, Chapter 5, part 11; Title 52, Chapter 2, part 7; and Title 53, Chapter 2, section 501, MCA; CFR 21, CFR 49, CFR 10; P.L. 102-359 (10-27-92).

Program Highlights

Quality Assurance Division Major Budget Highlights	
♦	Present law increases are dominated by statewide adjustments
♦	8.50 FTE and \$708,000 total funds were added to address the Medicaid Payment Error Program (PERM)
♦	Increased estate and lien recovery costs add about \$365,000 over the biennium
♦	The legislature approved a funding shift from federal funds to general fund due to a change in reimbursements

Program Narrative

In the 2009 biennium, the legislature approved about \$0.7 million to implement the new Medicaid Payment Error Program, including funds for 6.75 FTE in FY 2008 and 8.50 FTE in FY 2009, to perform retrospective reviews of Medicaid eligibility and medical necessity of services.

In 2002, Congress passed the Improper Payments Information Act. During the 2005 Legislature, Centers for Medicare and Medicaid Services (CMS) indicated it would implement PERM by requiring each state to estimate improper payments in Medicaid and the Children's Health Insurance Program (CHIP). Additional funding was appropriated by the legislature so QAD would be able to annually review a sample of Medicaid and CHIP payments, focusing on eligibility and medical necessity for services, determining the error rate, and recovery of improper payments.

Due to nationwide concerns with the requirements of testing for errors at the state level, CMS changed the methodology for PERM. CMS hired three national contractors to conduct PERM testing and developed a testing schedule whereby each state has a test conducted within a three year period beginning in FFY 2006. Montana's testing will be conducted in FFY 2008. According to the second PERM Interim Final Rule, filed by CMS in August 2006, the production cycle for completing these reviews will take approximately 23 months so that the review would begin in October 1, 2007 and would be completed by August 30, 2009, the next review for Montana would begin October 1, 2010.

The legislature approved utilizing the PERM staff to conduct focus reviews of eligibility for high cost complex cases during the time periods when PERM reviews are not being conducted. It is approximately 13 months every 3 years PERM testing is not conducted.

In FY 2006, the division cancelled the contract for a third party to pursue lien and estate recoveries and completes the recoveries in-house with current resources. The division is in the process of resolving 76 outstanding cases. Costs related to the outstanding cases are higher than the majority of the lien and estate cases due to increased legal costs associated with the probate process. The resolution period extends into the 2009 biennium due to the process and the time required to sell the property. Once the backlog is resolved, a reduced number of cases may require settlement through the probate courts.

The legislature appropriated \$183,080 in state special revenues and \$183,080 in federal special revenues as one-time-only to address the backlog.

Biennial Comparison

The Quality Assurance Division 2009 biennium budget is \$2.3 million higher in total funds than the 2007 biennium expenditure budget. The 2009 biennium budget includes \$0.7 million for PERM testing which was included in the 2007 biennium request as a restricted one-time-only appropriation. QAD FTE numbers increase for PERM, up to 8.50 FTE in FY 2009.

Figure 31 2007 Biennium Compared to 2009 Biennium Quality Assurance Division					
Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	109.95	119.45			
Personal Services	11,057,149	13,287,055	74%	2,229,906	20.17%
Operating Expenses	3,417,509	3,530,738	20%	113,229	3.31%
Equipment	16,404	15,290	0%	(1,114)	-6.79%
Grants	<u>1,151,809</u>	<u>1,079,394</u>	6%	<u>(72,415)</u>	<u>-6.29%</u>
Total Costs	<u>\$15,642,871</u>	<u>\$17,912,477</u>	100%	<u>\$2,269,606</u>	<u>14.51%</u>
General Fund	4,170,327	5,227,943	29%	1,057,616	25.36%
State Special	410,406	460,241	3%	49,835	12.14%
Federal Special	<u>11,062,138</u>	<u>12,224,293</u>	68%	<u>1,162,155</u>	<u>10.51%</u>
Total Funds	<u>\$15,642,871</u>	<u>\$17,912,477</u>	100%	<u>\$2,269,606</u>	<u>14.51%</u>

Personal services increase approximately \$2.2 million as compared to the 2007 biennium or 20 percent over the period. \$770,000 of the increase is due to the pay plan increases in HB 13 of the 2007 regular session. \$1.3 million is due to statewide present law adjustments and the remaining increases are due to new FTE. Operating expenses increased only slightly due to:

- o \$569,697 annually in Rural Hospital Flexibility Program costs reclassified to grants
- o About \$300,000 for the contract for lien and estate recoveries eliminated and the workload transferred to existing FTE. The FY 2006 costs for the lien and estate recovery program was \$27,032.

General fund increases 25 percent due to PERM, the costs of the pay plan, and a funding shift relating to federal reimbursement declining from 75 percent to 50 percent for the Third Party Liability (TPL) Section. Federal funds increase by 10.5 percent over the period due to PERM, the pay plan, and lien and estate recoveries. State special revenues increase 12 percent from the budgeted amounts reflected in the 2007 biennium due to lien and estate recoveries.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Quality Assurance Divisi							
Program Funding		Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000	Total General Fund	\$ 1,980,699	27.0%	\$ 2,538,483	29.0%	\$ 2,689,460	29.4%
	01100 General Fund	1,980,699	27.0%	2,538,483	29.0%	2,689,460	29.4%
02000	Total State Special Funds	134,137	1.8%	228,478	2.6%	231,763	2.5%
	02034 Earmarked Alcohol Funds	60,178	0.8%	62,411	0.7%	65,106	0.7%
	02380 02 Indirect Activity Prog 08	35,367	0.5%	35,000	0.4%	35,000	0.4%
	02497 6901-Lien & Estate - Sltd	27,032	0.4%	118,572	1.4%	118,572	1.3%
	02566 Medical Marijuana	11,560	0.2%	12,495	0.1%	13,085	0.1%
03000	Total Federal Special Funds	\$ 5,210,801	71.1%	\$ 5,998,436	68.4%	\$ 6,225,857	68.1%
	03096 Discretionary Child Care	533,840	7.3%	543,860	6.2%	544,813	6.0%
	03251 Child Care Admin	144,981	2.0%	146,817	1.7%	147,005	1.6%
	03303 Title 18 Clia	71,285	1.0%	75,711	0.9%	78,868	0.9%
	03335 Fda Mammography Inspections	49,420	0.7%	49,420	0.6%	49,420	0.5%
	03426 Chip Program Fed	-	-	127,337	1.5%	156,884	1.7%
	03530 6901-Foster Care 93.658	87,985	1.2%	91,313	1.0%	95,959	1.0%
	03580 6901-93.778 - Med Adm 50%	719,827	9.8%	966,651	11.0%	1,006,623	11.0%
	03597 03 Indirect Activity Prog 08	1,208,114	16.5%	1,346,090	15.4%	1,413,833	15.5%
	03934 Title 19	540,208	7.4%	679,830	7.8%	707,360	7.7%
	03935 Title 18	1,279,369	17.5%	1,388,748	15.8%	1,440,647	15.7%
	03948 T-19 Obra Nurse Aid	30,680	0.4%	38,280	0.4%	39,846	0.4%
	03960 Rural Hospital Flexibilty Prog	545,092	7.4%	544,379	6.2%	544,599	6.0%
Grand Total		\$ 7,325,637	100.0%	\$ 8,765,397	100.0%	\$ 9,147,080	100.0%

The Quality Assurance Division is funded primarily with federal funds (68 percent of the 2009 biennium appropriations). General fund supports about 29 percent of program costs with the remaining 2 percent of budgeted expenditures supported by state special revenue.

General fund supports a portion of the administrative functions, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of child care licensure, and the full cost of certificate of need, health facility licensure, mental health facility licensure, and radiological equipment testing.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, medical marijuana registry fees, and indirect cost recovery funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for services to pursue recoveries for the costs of Medicaid, mainly for nursing home services. Medical marijuana registry fees cover the cost of administering the registry.

There are 12 separate federal funding sources in the Quality Assurance Division budget. Some federal sources support more than one function. For instance, Medicaid funds support: 1) third party (Medicare, insurance, and private pay) recovery; 2) the surveillance, utilization, and review unit; 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud surveillance contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities. Mammography funds pay for inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					900,131					925,491
Vacancy Savings					(245,971)					(246,982)
Inflation/Deflation					22,252					23,459
Fixed Costs					(20,471)					(19,863)
Total Statewide Present Law Adjustments					\$655,941					\$682,105
DP 6015 - State Motor Pool Rate Change										
	0.00	(227)	0	(1,355)	(1,582)	0.00	(234)	0	(1,398)	(1,632)
DP 80002 - QAD Rent Increase										
	0.00	12,330	222	21,534	34,086	0.00	15,472	318	28,179	43,969
DP 80007 - Leased Vehicles (2) For Field Staff										
	0.00	(2,984)	0	(1,412)	(4,396)	0.00	(2,984)	0	(1,412)	(4,396)
DP 80008 - Additional Lien and Estate Recovery Costs										
	0.00	0	91,540	91,540	183,080	0.00	0	91,540	91,540	183,080
DP 80009 - Child Care Licensing Increase 1 FTE										
	1.00	0	0	0	0	1.00	0	0	0	0
DP 80010 - TPL Funding Adjustment										
	0.00	58,231	0	(58,231)	0	0.00	58,340	0	(58,340)	0
Total Other Present Law Adjustments										
	1.00	\$67,350	\$91,762	\$52,076	\$211,188	1.00	\$70,594	\$91,858	\$58,569	\$221,021
Grand Total All Present Law Adjustments					\$867,129					\$903,126

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 80002 - QAD Rent Increase - The legislature provided funding to support division rent increases. Rent for the division is increasing between 2-3 percent per year. In addition, department staff will be moving into a new building in Kalispell in FY 2008 which has an increase in the rental prices associated with it.

DP 80007 - Leased Vehicles (2) For Field Staff - The legislature included a reduction each year of the biennium to lease two motor pool cars. The reductions reflect the cost savings to the division from leasing motor pool cars rather than reimbursing employees for the costs of driving their own cars.

DP 80008 - Additional Lien and Estate Recovery Costs - The legislature included a one-time-only appropriation of \$183,080 in state special revenue funds in each year of the FY 2009 biennium for additional lien and estate recovery costs. The division estimates that as a result of recovery efforts lien and estate state special revenue (SSR) collections will increase \$253,840 in FY 2008 and \$258,800 in FY 2009.

DP 80009 - Child Care Licensing Increase 1 FTE - The legislature converted 1.00 modified FTE to a permanent position for each year of the biennium to provide administrative and technical support for the Child Care Licensing Program. Federal funding for this position has been on-going for several years.

DP 80010 - TPL Funding Adjustment - The legislature approved a funding switch for the TPL Unit to align the funding with federal requirements. It was originally funded at 25 percent general fund and 75 percent federal funds. It is now a 50 percent general fund program.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
08	0.00	101,507	2,398	139,961	243,866	0.00	217,181	5,168	303,108	\$25,457
DP 6014 - Retirement Employer Contributions - HB 131										
08	0.00	2,746	66	3,795	6,607	0.00	2,906	70	3,923	6,899
DP 80011 - Payment Error Rate Measurement										
08	6.75	115,295	0	206,863	322,158	8.50	136,805	0	249,156	385,961
DP 80012 - Funding Error Correction										
08	0.00	(35,000)	35,000	0	0	0.00	(35,000)	35,000	0	0
Total	6.75	\$184,548	\$37,464	\$350,619	\$572,631	8.50	\$321,892	\$40,238	\$556,187	\$918,317

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 80011 - Payment Error Rate Measurement - The legislature provided FTE and funding to implement the Centers for Medicare and Medicaid Services Payment Error Rate Measurement (PERM) program in Montana. PERM is a new federal requirement for Medicaid and CHIP. States are reviewed every 3 years and Montana is to be reviewed beginning in FY 2008.

DP 80012 - Funding Error Correction - The legislature included a reduction of \$35,000 in general fund each year and a corresponding increase of state special revenue to correct a funding error inadvertently included in the executive budget.

Language

The legislature included the following language in HB 2:

"Included in Division Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division's final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee on December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."

The language was struck by the Governor when he signed HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	56.10	0.00	0.00	56.10	0.00	0.00	56.10	56.10
Personal Services	3,094,418	241,505	205,531	3,541,454	255,351	363,362	3,713,131	7,254,585
Operating Expenses	13,758,257	1,785,785	0	15,544,042	1,708,957	0	15,467,214	31,011,256
Equipment	0	0	0	0	0	0	0	0
Debt Service	307,596	0	0	307,596	0	0	307,596	615,192
Total Costs	\$17,160,271	\$2,027,290	\$205,531	\$19,393,092	\$1,964,308	\$363,362	\$19,487,941	\$38,881,033
General Fund	6,474,663	1,048,676	78,870	7,602,209	1,012,649	147,395	7,634,707	15,236,916
State/Other Special	645,254	68,948	9,847	724,049	75,006	18,402	738,662	1,462,711
Federal Special	10,040,354	909,666	116,814	11,066,834	876,653	197,565	11,114,572	22,181,406
Total Funds	\$17,160,271	\$2,027,290	\$205,531	\$19,393,092	\$1,964,308	\$363,362	\$19,487,941	\$38,881,033

Program Description

The Technology Services Division (TSD), formerly the Operations and Technology Division, is responsible for all agency information technology. TSD has four bureaus: External Systems Bureau, Information Systems Bureau, Network and Communications Bureau, and Business Strategies and Operations Bureau. The bureaus provide support in operational and technological areas critical to DPHHS in the following manner:

- **The External Systems Bureau** is engaged in project management, using outside contractors to develop and manage major data systems. These systems include:
 - SEARCHS - The System for Enforcement and Recovery of Child Support, which performs automated financial management of child support activities including collections, absent parent location, paternity establishment, and order modifications for child support enforcement
 - CAPS - The Child & Adult Protective Services System, an automated social services information system covering all major program areas of child and adult protective services and juvenile corrections including case management and payment processing functions
 - TEAMS - The Economic Assistance Management System, performing on-line eligibility determination for food stamps, Temporary Assistance for Needy Families (TANF), and Medicaid programs
 - CHIMES - the Combined Healthcare Information and Medicaid Eligibility System that replaces the Medicaid Eligibility component in TEAMS
 - CCUBS - Child Care Under the Big Sky, performing automated eligibility determination, case maintenance, payment, and reporting of day care benefits
 - MMIS - The Montana Medicaid Information System, a medical provider claims processing, payment, and information retrieval system (direct management of this system is in the Director's Office)
 - The MONTANA ACCESS Program - an electronic benefit transfer (EBT) system that provides on-line distribution of food stamp benefits, TANF cash assistance, and child support collections
 - TESS - The Eligibility Screening System, automating eligibility functions with two components, one for the Children's Health Insurance Plan (CHIP) and one for the Mental Health Service Plan (MHSP)
- **The Information Services Bureau** provides database management, user help desk, and internal system development. Systems developed and maintained by internal programmers include:
 - ISERV-- Information Services - time recording (electronic time sheets) and travel reimbursement

- PERQS -- Purchasing, Entry, Receiving and Query System - purchasing and accounts payable system
 - AWACS -- Agency wide Accounting and Client System - payment data base, and
 - MICRS -- Montana Integrated Cost Recovery System - institutional reimbursement system (all financial systems).
- **The Network and Communications Bureau** provides computer networking and desktop services to all agency employees
 - **The Business Strategies and Operations Bureau** provides business, strategic, financial, human resources and facilities management to the Technology Services Division

Statutory authority is in Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

Program Highlights

Technology Services Division Major Budget Highlights	
◆	The 2009 biennium budget is 6 percent greater than the 2007 biennium budget due to statewide present law adjustments, the legislatively approved pay and retirement plans, and on-going systems support
◆	The division received \$60.0 million in total funds for long-range Internet technology projects over the 2009 and 2011 biennia comprising a general fund appropriation of \$12.7 million and \$17.5 million respectively. The 2009 biennium appropriation of \$26.3 million contains \$12.7 million general fund and \$13.6 million federal special revenue.

Program Narrative

Formerly known as the Operations and Technology Division, this division was renamed the Technology Services Division (TSD) following a reorganization that moved the Internal Support, Budget, and Vital Records units to the Business and Financial Services Division (BFSD). The reorganization was established at the onset of the 2007 biennium.

The growth in personal services, operating costs, and the related increases in the general and state special funds reflected in Figure 32 are primarily due to: 1) the implementation of legislatively approved pay and retirement plans comprising \$0.6 million in total funds via HB 13, HB63, and HB131; and 2) nearly \$0.5 million for on-going system support and a contract increase in present law proposals; as well as 3) state wide present law adjustments.

The Division by Function

The following Figure 33 summarizes TSD funding by function. Nearly 67 percent of the division's expenditures are projected to support contracted computer development and maintenance. These systems provide a wide variety of services related to program eligibility determination, claims processing, data collection, case management support, and payment processing.

Figure 32 2007 Biennium Compared to 2009 Biennium Technology Services Division					
Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	56.10	56.10	-	-	-
Personal Services	\$6,252,633	\$7,254,585	18.7%	\$1,001,952	16.0%
Operating	29,831,663	31,011,256	79.8%	1,179,593	4.0%
Equipment	1	-	0.0%	(1)	-100.0%
Debt Service	590,387	615,192	1.6%	24,805	4.2%
Total Costs	\$36,674,684	\$38,881,033	100.0%	\$2,206,349	6.0%
General Fund	\$13,089,452	\$15,236,916	39.2%	\$2,147,464	16.4%
State Special	1,254,645	1,462,711	3.8%	208,066	16.6%
Federal Funds	22,330,587	22,181,406	57.0%	(149,181)	-0.7%
Total Funds	\$36,674,684	\$38,881,033	100.0%	\$2,206,349	6.0%

The substantial increase in network and communications services is a result of the Department of Administration (DOA) assessment of \$2.7 million in FY 2008 and \$2.9 million in FY 2009 for the data network server. The department moved the costs that were formerly assessed to several divisions to a central location in the TSD budget for ease of billing, payment, and the cost allocation process. The Budget and Analysis increase funds one new financial specialist FTE transferred from BFSDD during the reorganization process.

Figure 33
Technology Services Division
Summary of Funding by Function

Function	Fiscal 2006 Actual		Fiscal 2008 Appropriated		Fiscal 2009 Appropriated		2009 Biennium		Percent Increase	Percent of Division
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds		
Centralized Services										
Division Administration	\$171,567	\$449,910	\$ 126,226	\$ 329,716	\$ 194,837	\$ 487,773	\$321,063	\$817,489	-9.1%	2.1%
Budget and Analysis	6,275	7,835	46,171	57,649	46,591	58,174	92,762	115,823	639.1%	0.3%
Network and Communications Svcs.	526,810	1,323,468	1,846,524	4,075,772	1,919,176	4,228,563	3,765,700	8,304,335	213.7%	21.4%
Information Systems Bureau	678,132	1,618,081	749,007	1,787,194	752,628	1,795,835	1,501,635	3,583,029	10.7%	9.2%
Total Centralized Services	\$1,382,784	\$3,399,294	\$2,767,928	\$6,250,331	\$2,913,232	\$6,570,345	\$5,681,160	\$12,820,676	88.6%	33.0%
Contracted Computer Systems										
TEAMS	\$2,461,683	\$6,840,386	2,457,130	6,733,603	2,343,885	6,507,631	\$4,801,015	\$13,241,234	-3.2%	34.1%
SEARCHS	668,965	2,913,316	645,419	2,810,776	645,419	2,810,776	1,290,838	5,621,552	-3.5%	14.5%
CAPS	1,364,099	2,435,848	1,133,607	2,024,265	1,134,020	2,025,001	2,267,627	4,049,266	-16.9%	10.4%
WIC	9,794	9,794	9,783	9,783	9,783	9,783	19,566	19,566	-0.1%	0.1%
Electronic Benefit Transfer (EBT)	580,337	1,561,633	581,341	1,564,334	581,367	1,564,405	1,162,708	3,128,739	0.2%	8.0%
MMIS	7,001	0	7,001	0	7,001	0	14,002	0	0.0%	0.0%
Total Contracted Computer Systems	\$5,091,879	\$13,760,977	\$4,834,281	\$13,142,761	\$4,721,475	\$12,917,596	\$9,555,756	\$26,060,357	-5.3%	67.0%
Total Operations & Technology Div.	\$6,474,663	\$17,160,271	\$7,602,209	\$19,393,092	\$7,634,707	\$19,487,941	\$15,236,916	\$38,881,033	13.3%	100.0%

Legislative Discussion

The TSD 2009 biennium budget is a present law budget, which the legislature discussed in the overarching context of the division's goals and measurable objectives addressing:

- 1) Present law funding for computer system management, maintenance, and web-based security;
- 2) Components in the division goals and objectives that spoke to quality, professional support for statewide users of the DPHHS computer systems, efficient maintenance and enhancement of the systems, and a human resources plan; and
- 3) Increased funding for:
 - a. Information technology projects contained in the long range planning legislation (HB 5 and 830 in the regular session and HB 4 in the special session) for the 2009 and 2011 biennia, and
 - b. the statewide pay plan

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, legislators included language in HB 2 requesting the division to report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed the language.

The present law requests and the statewide pay plan are discussed in the present law and new proposal section of this write-up. The following is a brief discussion of the long-range Internet Technology projects.

House Bill 4 of the 2007 Special Session

The legislature appropriated \$60.0 million to DPHHS for long-range Internet Technology projects related to TANF, food stamps, child protection, and Medicaid over the 2009 and 2011 biennia through HB 4 of the 2007 Special Session. The total appropriation for the 2009 biennium is \$26.3 million, which includes \$12.7 million general fund and \$13.6 million federal revenue. The percentage of general fund to federal special revenue for the 2009 biennium is shown in Figure 34 on the following page.

The systems addressed by the appropriation are:

- The TEAMS system that presently serves the functions of TANF, Food Stamps, and CHIMES (the Medicaid eligibility piece of TEAMS). All systems run in TEAMS on the mainframe and were developed in the late 1980's with IDMS and COBOL programming that is now outdated making federal mandates difficult and time-consuming to change. The systems will be updated to run on independent platforms. As shown in Figure 33, CHIMES is the furthest along in the programming process and was funded for FY 2008 only. When the CHIMES upgrade is complete, TEAMS will continue to be hosed on the ITSD mainframe until the TANF and the Food Stamp system are completed and moved to new platforms.
- The CAPS funding is for a new, automated Child and Adult Protective Services System information system covering all major program areas of child protection, adult services, juvenile corrections and probation. The current system, developed in 1996, no longer meets the needs of the users and mandated reporting requirements.
- ICD-10 funding is for the federally mandated, new procedure and diagnosis code set for the Medicaid Management Information System for federal coding and reporting. It will replace the current system with 90 percent of the funding coming from the federal government.

While the appropriation allows the department to address needs required by federal mandates, the overarching goal is to have new systems that are easy to maintain and update, and provide more accurate, complete and efficient eligibility determination, produce more accurate and efficient federal reports, and improve program management in the areas of quality control, program security, issuance via the electronic benefit transfer (EBT) system as well as interfaces with other systems (i.e., Social Security, Child Support Enforcement, Dept. of Labor, etc.)

Section 14 of HB 4 provides the funding as well as statements of intent that: 1) business application systems must have a plan approved by the chief information officer for the design, definition, creation, storage, and security of the data associated with the application system; 2) information is shared with other state agencies in the design, definition, creation, storage, and security of the data; and 3) the chief information officer with DOA monitors the benchmarks for each project and, with approval of the budget director, distributes the funding. However, outside the bill, the ultimate management of the DPHHS projects falls with TSD, while the appropriation transfer will likely occur between the Department of Administration and the Business and Financial Services Division of DPHHS.

Figure 34
Summary of the Internet Technology Appropriation in Special Session HB 4

System Design	FY 2008 Estimated	FY 2009 Estimated	Total 2009 Biennium Estimated	Percent of Total Funds for FY 2009	Total 2011 Biennium Estimated	Total Legislation Request
TEAMS System - TANF						
TANF Block Grant	\$2,600,000	\$2,200,000	\$4,800,000	56.8%	\$3,800,000	\$8,600,000
General Fund	<u>5,000</u>	<u>3,650,000</u>	<u>3,655,000</u>	<u>43.2%</u>	<u>3,970,000</u>	<u>7,625,000</u>
Subtotal	2,605,000	5,850,000	8,455,000	100.0%	7,770,000	16,225,000
Food Stamps						
USDA Food & Nutrition	1,055,000	2,430,000	3,485,000	50.0%	3,050,000	6,535,000
General Fund	<u>1,055,000</u>	<u>2,430,000</u>	<u>3,485,000</u>	<u>50.0%</u>	<u>3,050,000</u>	<u>6,535,000</u>
Subtotal	2,110,000	4,860,000	6,970,000	100.0%	6,100,000	13,070,000
CHIMES						
Medicaid	550,000	0	550,000	50.0%	0	550,000
General Fund	<u>550,000</u>	<u>0</u>	<u>550,000</u>	<u>50.0%</u>	<u>0</u>	<u>550,000</u>
Subtotal	1,100,000	0	1,100,000	100.0%	0	1,100,000
CAPS - Child & Adult Protection						
Title IV-E Revenue	204,600	3,669,160	3,873,760	44.0%	8,072,240	11,946,000
General Fund	<u>260,400</u>	<u>4,669,840</u>	<u>4,930,240</u>	<u>56.0%</u>	<u>10,273,760</u>	<u>15,204,000</u>
Subtotal	465,000	8,339,000	8,804,000	100.0%	18,346,000	27,150,000
ICD 10						
Medicaid Revenue	0	900,000	900,000	90.0%	1,800,000	2,700,000
General Fund	<u>0</u>	<u>100,000</u>	<u>100,000</u>	<u>10.0%</u>	<u>200,000</u>	<u>300,000</u>
Subtotal	0	1,000,000	1,000,000	100.0%	2,000,000	3,000,000
Total Systems						
Total Federal Funds	4,409,600	9,199,160	13,608,760	51.7%	16,722,240	30,331,000
Total General Fund	<u>1,870,400</u>	<u>10,849,840</u>	<u>12,720,240</u>	<u>48.3%</u>	<u>17,493,760</u>	<u>30,214,000</u>
Total	<u>\$6,280,000</u>	<u>\$20,049,000</u>	<u>\$26,329,000</u>	<u>100.0%</u>	<u>\$34,216,000</u>	<u>\$60,545,000</u>

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Technology Services Divi						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 6,474,663	37.7%	\$ 7,602,209	39.2%	\$ 7,634,707	39.2%
01100 General Fund	6,474,663	37.7%	7,602,209	39.2%	7,634,707	39.2%
02000 Total State Special Funds	645,254	3.8%	724,049	3.7%	738,662	3.8%
02381 02 Indirect Activity Prog 09	645,254	3.8%	724,049	3.7%	738,662	3.8%
03000 Total Federal Special Funds	10,040,354	58.5%	11,066,834	57.1%	11,114,572	57.0%
03598 03 Indirect Activity Prog 09	10,040,354	58.5%	11,066,834	57.1%	11,114,572	57.0%
Grand Total	\$ 17,160,271	100.0%	\$ 19,393,092	100.0%	\$ 19,487,941	100.0%

The Technology Services Division, formerly Operations and Technology, was renamed following a reorganization in early FY 2006 that moved the Internal Support and Vital Records Bureau to the Business and Financial Services Division and the budget functions and management of the Montana Medicaid Information System to the Director's Office. The TSD is primarily funded with federal funds and general fund through a complex federally approved cost allocation process. Funding for this biennium is 57 percent federal revenue, 39 percent general fund, and 4 percent state special revenue.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				380,498					394,923
Vacancy Savings				(138,993)					(139,572)
Inflation/Deflation				(94,580)					(94,305)
Fixed Costs				1,522,644					1,673,246
Total Statewide Present Law Adjustments				\$1,669,569					\$1,834,292
DP 6015 - State Motor Pool Rate Change									
0.00	(183)	(18)	(202)	(403)	0.00	(189)	(19)	(208)	(416)
DP 90004 - CAPS System Facilities Mgmt Increase - Restr/OTO									
0.00	61,618	0	48,414	110,032	0.00	61,618	0	48,414	110,032
DP 90007 - Ongoing Support for DPHHS Security System									
0.00	9,112	1,334	9,554	20,000	0.00	9,294	1,361	9,745	20,400
DP 90008 - Ongoing Support for CHIMES - Res./ Bien./OTO									
0.00	114,046	0	114,046	228,092	0.00	0	0	0	0
Total Other Present Law Adjustments									
0.00	\$184,593	\$1,316	\$171,812	\$357,721	0.00	\$70,723	\$1,342	\$57,951	\$130,016
Grand Total All Present Law Adjustments				\$2,027,290					\$1,964,308

Statewide Present Law Adjustments

The increase in fixed costs listed above primarily represents the Department of Administration assessment for network services for the entire agency, which now appears as a total figure in the TSD budget. The department made this adjustment to move costs into a central location for ease of billing, payment, and the cost allocation process.

Present Law Adjustments

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool were reduced from the level requested by the Governor.

DP 90004 - CAPS System Facilities Mgmt Increase - Restr/OTO - The legislature appropriated \$220,064 as restricted, one-time-only funding for the Child and Adult Protective Services (CAPS) contract. The funding is for an increase in cost of living and level of effort, which refers to the number of dedicated programming hours (usually 156.7 per month or 1,880 hours per year) that a contractor provides per the terms of the contract for system maintenance. The appropriation is for \$123,236 general fund and \$96,828 federal funds over the biennium.

DP 90007 - Ongoing Support for DPHHS Security System - The legislature provided \$40,400 for the biennium for ongoing maintenance and support for the DPHHS security system, which is a web-based application that has automated the department's security function for management control, monitoring and reporting of security access information, or providing federally requested reports. The funding includes \$18,406 general fund, \$2,695 state special revenue, and \$19,299 federal funds over the biennium.

DP 90008 - Ongoing Support for CHIMES - Res./ Bien./OTO - The legislature appropriated restricted, biennial, one-time-only funding of \$228,092 for the platform costs associated with the newly upgraded Combined Health Information and Medicaid Eligibility System (CHIMES). The funding, which also includes costs associated with annual lease payments, maintenance for servers, and operating system support, is evenly split between general fund and federal funds at \$114,046 each over the biennium.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
09	0.00	77,267	9,660	114,836	201,763	0.00	145,690	18,195	195,521	359,406
DP 6014 - Retirement Employer Contributions – HB 63 & HB 131										
09	0.00	1,603	187	1,978	3,768	0.00	1,705	207	2,044	3,956
Total	0.00	\$78,870	\$9,847	\$116,814	\$205,531	0.00	\$147,395	\$18,402	\$197,565	\$363,362

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 63 & HB 131 - The legislature adopted HB63 and HB131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

Language

"Funding for CAPS System Facilities Management Increase may be expended only for the child and adult protective services CAPS contract for an increase in cost of living and level of effort.

Funding for the On-going Support for CHIMES may be expended only for platform costs, lease payments, maintenance of servers, and operating system support associated with the new combined health information and medicaid eligibility system (CHIMES).

Included in Technology Services Division/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200."

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	492.92	0.00	1.00	493.92	0.00	1.00	493.92	493.92
Personal Services	22,208,155	553,531	958,166	23,719,852	717,688	1,969,785	24,895,628	48,615,480
Operating Expenses	8,376,219	139,292	1,471,318	9,986,829	235,404	168,158	8,779,781	18,766,610
Equipment	68,120	(53,120)	0	15,000	(53,120)	0	15,000	30,000
Benefits & Claims	96,915,222	2,598,760	13,353,049	112,867,031	2,659,299	15,404,890	114,979,411	227,846,442
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$127,567,716	\$3,238,463	\$15,782,533	\$146,588,712	\$3,559,271	\$17,542,833	\$148,669,820	\$295,258,532
General Fund	46,584,972	1,519,762	4,115,997	52,220,731	1,816,622	5,280,440	53,682,034	105,902,765
State/Other Special	1,458,428	512,336	2,799,351	4,770,115	513,502	2,214,501	4,186,431	8,956,546
Federal Special	79,524,316	1,206,365	8,867,185	89,597,866	1,229,147	10,047,892	90,801,355	180,399,221
Total Funds	\$127,567,716	\$3,238,463	\$15,782,533	\$146,588,712	\$3,559,271	\$17,542,833	\$148,669,820	\$295,258,532

Program Description

Disability Services Division (DSD) assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment. DSD is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The division is responsible for the state institution at the Montana Developmental Center (MDC) in Boulder.

Vocational Rehabilitation (VR) serves individuals with orthopedic, mental, visual, hearing, brain injury, and other disabilities. Developmentally disabled includes individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration.

Disability Services Division (DSD) serves the telephone needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled through the Montana Telecommunication Access Program (MTAP).

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303

Functions of the Disability Services Division

The Disability Services Division may be summarized into four major functions, as illustrated in Figure 35 on page B-116. The functions and the percentage of the legislative budget that each represents are: 1) vocational rehabilitation services, 12.6 percent; 2) institutional developmental disability services, 15.7 percent; 3) community developmental disability services, 68.3 percent; and 4) disability determination services, 3.4 percent.

As shown in Figure 35, community services for clients with developmental disabilities represent just over \$100 million of the total budget, while vocational rehabilitation and institutional services represent about \$41.3 million. The most common developmental disabilities exhibited by individuals receiving state funded services include mental retardation, autism, cerebral palsy, and other types of brain or neurological damage. More than 70 percent of these individuals have a secondary diagnosis such as epilepsy, cerebral palsy, deafness, blindness, mental illness, and chemical dependency.

Figure 35
Disability Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2006 Base Budget			Fiscal 2008 Request			Fiscal 2009 Request			Percent of Division Total
	General Fund	State Special	Federal	General Fund	State Special	Federal	General Fund	State Special	Federal	
Vocational Rehabilitation										
Voc. Rehab. Administration	\$815,556	\$0	\$3,017,998	\$3,833,554	\$16,525	\$3,145,277	\$904,631	\$16,525	\$3,145,277	2.8%
Voc. Rehab. Benefits	1,644,659	0	6,040,584	7,685,243	0	6,200,545	1,735,169	0	6,200,545	5.4%
Visual Services Medical Benefits	84,002	0	84,002	84,002	0	0	84,002	0	0	0.1%
Independent Living - Admin.	14,340	0	129,223	143,563	0	144,538	16,059	0	144,538	0.1%
Independent Living - Benefits	13,793	0	53,158	66,951	0	60,256	7,628	0	60,256	0.0%
Sec. 110 Blind Low Vision Administration	207,809	0	550,446	758,255	0	636,710	259,602	0	636,710	0.6%
Sec. 110 Blind Low Vision Benefits	188,612	0	703,726	892,338	0	708,006	202,244	0	708,006	0.6%
In Service Training - Administration	7,115	0	68,130	75,245	0	68,329	7,135	0	68,329	0.1%
Supported Employment	0	0	291,453	291,453	0	291,453	291,453	0	291,453	0.2%
Independent Living Part B Benefits	361,548	0	200,045	561,593	0	200,045	369,375	0	200,045	0.4%
Independent Living Part B Administration	7,372	0	66,418	73,790	0	70,693	57,846	0	70,693	0.1%
MONTECH Grants	0	0	502,755	502,755	0	502,755	1,038,322	0	502,755	0.3%
Extended Employment Benefits	1,043,775	0	0	931,196	0	2,017,531	1,038,322	0	2,017,531	0.7%
Montana Telecommunications Access Prog.	0	0	183,144	183,144	0	183,144	0	0	183,144	1.0%
Social Security Benefits	0	0	931,196	931,196	0	2,017,531	0	0	2,017,531	0.1%
Subtotal Vocational Rehabilitation	\$4,388,581	\$931,196	\$11,807,080	\$17,126,857	\$2,034,056	\$12,211,751	\$4,702,013	\$2,034,056	\$12,211,751	12.6%
Percent of Total	25.6%	5.4%	68.9%	100.0%	10.7%	64.4%	24.8%	10.7%	64.4%	
Institutions										
Montana Development Center	\$12,743,486	\$47,433	\$0	\$12,790,919	\$47,433	\$0	\$13,323,399	\$47,433	\$0	9.1%
Institutional Medicaid Benefits	0	0	8,343,836	8,343,836	0	8,343,836	8,343,836	0	8,343,836	5.7%
Montana Development Center Unit 104	1,301,531	0	0	1,301,531	0	0	1,422,503	0	0	1.0%
MDC Unit 16 AB	1,100,354	0	0	1,100,354	0	0	0	0	0	0.0%
Subtotal Institutions	\$15,145,371	\$47,433	\$8,343,836	\$23,536,640	\$47,433	\$8,343,836	\$14,698,469	\$47,433	\$8,343,836	15.7%
Percent of Total	64.3%	0.2%	35.5%	100.0%	0.2%	36.1%	63.7%	0.2%	35.9%	
Developmental Disabilities - Community										
Administration	\$1,339,979	\$4,800	\$1,689,827	\$3,034,606	\$4,800	\$2,025,813	\$2,171,442	\$4,800	\$2,136,471	3.1%
Targeted Case Management Administration	606,797	0	930,947	1,537,744	0	994,359	647,547	0	999,297	1.1%
Targeted Case Management - Adults	460,669	0	1,115,943	1,576,612	0	2,288,446	1,042,339	0	2,281,109	2.3%
DD Medicaid Benefits	18,555,282	0	44,482,013	62,837,295	0	51,263,801	20,802,727	0	52,077,207	51.1%
TCM 50/50, PASAAR 2: Rate Project	158,221	0	369,771	527,992	0	389,388	191,462	0	391,631	0.4%
DD General Fund, Title XX	2,607,349	474,999	3,920,766	7,003,114	0	4,860,808	3,996,009	0	4,860,808	6.1%
DD Part C and General Fund Moe	\$3,522,723	\$2,252,750	\$5,775,473	\$11,550,946	\$2,252,750	\$5,775,473	\$3,968,723	\$2,252,750	\$5,775,473	4.2%
Subtotal Developmental Disabilities-Comm.	\$27,051,020	\$479,799	\$54,762,017	\$82,292,836	\$2,688,626	\$64,075,365	\$32,820,249	\$2,688,626	\$64,075,365	68.3%
Percent of Total	32.9%	0.6%	66.5%	100.0%	2.7%	64.3%	33.0%	2.7%	63.6%	
Other										
Disability Determination Services	\$0	\$0	\$4,611,383	\$4,611,383	\$0	\$4,966,914	\$4,966,914	\$0	\$5,170,640	3.4%
Subtotal Other	\$0	\$0	\$4,611,383	\$4,611,383	\$0	\$4,966,914	\$4,966,914	\$0	\$5,170,640	3.4%
Percent of Total	0.0%	0.0%	100.0%	100.0%	0.0%	100.0%	0.0%	0.0%	100.0%	
Total Disability Services Division	\$46,584,972	\$1,458,428	\$79,524,316	\$127,567,716	\$4,770,115	\$89,597,866	\$52,220,731	\$4,186,431	\$90,801,355	100.0%
Percent of Total	36.5%	1.1%	62.3%	100.0%	3.3%	61.1%	35.6%	2.8%	61.1%	

Program Highlights

Disability Services Division

Major Budget Highlights

- ◆ The legislative budget for the 2009 biennium is about \$35.7 million greater than the legislative budget for the 2007 biennium comprising, an increase in general fund support of about \$11.7 million, state special revenue of \$5.1 million, and federal funds of \$18.8 million

The legislature:

- ◆ Approved general fund increases of \$15.6 million primarily for:
 - Direct care worker wage increases - \$3.5 million
 - The rate rebasing project - \$3.4 million
 - Federal Medical Assistance Percentage (FMAP) increases - \$2.9 million
 - Annualization of cost plans for clients moving into communities - \$1.4 million
 - The 2009 biennium pay and retirement plans in HB 13, HB 63, and HB 131 - \$2.1 million
 - Reducing the Developmentally Disabled (DD) waiting list - \$1.0 million
 - The Montana Developmental Center - \$0.9 million
 - Vocational Rehabilitation Provider rate increases - \$0.4 million
- ◆ Provided decreases to the general fund primarily comprising:
 - \$3.0 million to reduce the executive request addressing the DD waiting list from \$4.0 general fund to \$1.0 million
 - \$0.95 million to shift general fund to I-149 funds
- ◆ Increased state special revenue nearly \$6.0 million for:
 - The rate rebasing project - \$3.9 million
 - A funding switch from the general fund to I-149 funds - \$0.9 million
 - Contingent authority for the Montana Telecommunication Access Program in anticipation of a federal funding shift - \$1.0 million
- ◆ Increased federal revenue authority for:
 - The rate rebasing project - \$10.7 million
 - Direct care worker wage increases - \$3.4 million
 - Annualization of cost plans for clients moving into communities - \$3.4 million
 - DD waiting list reduction - \$2.2 million
 - Federal authority for anticipated grants and waiver services - \$2.0 million
 - The 2009 biennium pay and retirement plans in HB 13, HB 63, and HB 131 - \$0.7 million

Program Narrative

Biennial Comparison

The 2009 biennium budget for the Disability Services Division reflects a total fund increase of \$35.7 million over the legislative appropriation for the 2007 biennium and the supplemental appropriation of \$1.6 million general fund from HB 3 of the 2007 regular session for MDC. The supplemental was allocated to personal services. Nearly all of the increase, \$31.3 million, is for benefits and claims and due primarily to: 1) legislative initiatives to increase funding for provider rates and direct care worker wage increases; 2) a rate rebasing project for disability services providers; 3) efforts to move more individuals off of the waiting

list for community services; and 4) an increase in tuition for vocational rehabilitation clients. In addition to the supplemental appropriation, the increase in personal services is due to the implementation of the pay and retirement plans approved by the legislature in HB 13, HB 63, and HB 131, as well as statewide present law adjustments for class upgrades and salary adjustments to market, benefits, longevity, and health insurance.

Benefits and Claims

The increases in benefits are illustrated in the following Figure 37 on page B-119. While support Services for developmentally disabled clients in the community comprise 68.3 percents of the division's budget, the related Medicaid benefits comprising state and federal funds of over \$150 million for the biennium account for 66.2 percent of the total benefits for the division and the largest share of the legislative budget.

One institution, the Montana Developmental Center (MDC), serves a disabled population identified as a danger to themselves or others. MDC is supported with general fund of about \$26.7 million over the biennium, and receives about \$16.6 million of Medicaid reimbursement for Medicaid eligible clients, which is 7.3 percent of division's benefits. Reimbursements are not predicted to increase because clients are moving from MDC into the community.

Vocational rehabilitation services account for \$37.0 million over the biennium. Of that amount, about \$23.0 million is revenue from a myriad of non-Medicaid grants and programs comprises about 10.0 percent of the benefit funding.

The General Fund/Title XX line is nearly 8 percent of the benefits and claims total, representing various non-Medicaid benefits. The increase is related to the FMAP change, rate rebasing, and annualization of client cost plans.

Figure 36
2007 Biennium Compared to 2009 Biennium
Disability Services Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	492.92	492.92		-	
Personal Services *	\$ 45,482,673	\$ 48,615,480	16.5%	\$ 3,132,807	6.9%
Operating	17,383,154	18,766,610	6.4%	1,383,456	8.0%
Equipment	138,753	30,000	0.0%	(108,753)	-78.4%
Benefits&Claims	196,580,429	227,846,442	77.2%	31,266,013	15.9%
Debt Service	10,688	-	0.0%	(10,688)	-100.0%
Total Costs	\$ 259,595,697	\$ 295,258,532	100.0%	\$ 35,662,835	-147.6%
General Fund *	\$ 94,165,994	\$ 105,902,765	35.9%	\$ 11,736,771	12.5%
State Special	3,851,650	8,956,546	3.0%	5,104,896	132.5%
Federal Funds	161,578,053	180,399,221	61.1%	18,821,168	11.6%
Total Funds	\$ 259,595,697	\$ 295,258,532	100.0%	\$ 35,662,835	13.7%

* Includes \$1,603,291 general fund from the supplemental appropriation in HB 3

Figure 37

Disability Services Division

Summary of Benefits Costs with Funding

Description	Fiscal 2006 - Base Budget			Fiscal 2008 Request			Fiscal 2009 Request			Percent Total
	General Fund	State Spec. Rev	Federal Funds	General Fund	State Spec. Rev	Federal Funds	General Fund	State Spec. Rev	Federal Funds	
Benefits and Claims										
Voc. Rehab. Benefits	\$1,643,054	\$0	\$6,034,951	\$1,735,300	\$0	\$6,200,676	\$1,843,669	\$0	\$6,243,028	\$8,086,697
Visual Services Medical Benefits	84,002	0	0	84,002	0	0	84,002	0	0	84,002
Independent Living - Benefits	13,793	0	53,158	7,628	0	60,256	9,214	0	60,256	69,470
Sec. 110 Blind Low Vision Benefits	188,586	0	703,726	202,218	0	708,006	220,691	0	709,543	930,234
Supported Employment	0	0	291,453	0	0	291,453	0	0	291,453	291,453
Independent Living Part B Benefits	361,548	0	200,045	369,375	0	200,045	382,681	0	200,045	582,726
MONTECII Grants	0	0	502,755	0	0	502,755	0	0	502,755	502,755
Extended Employment Benefits	1,043,775	0	0	1,058,322	0	0	1,083,051	0	0	1,083,051
Social Security Benefits	0	0	183,144	0	0	183,144	0	0	183,144	183,144
MDC Medicaid	0	0	8,343,836	0	0	8,343,836	0	0	8,343,836	8,343,836
Medicaid Benefits	18,355,282	0	44,482,013	20,741,352	2,675,908	51,112,555	20,929,146	3,148,138	52,020,218	76,097,502
Part C and General Fund Benefits	3,474,306	0	2,221,788	3,881,430	0	2,203,201	3,976,725	0	2,219,687	6,196,412
General Fund, Title XX, Other Benefits	2,607,349	474,999	3,920,766	3,968,582	0	4,827,446	4,152,671	0	4,854,398	9,007,069
DD Targeted Case Management Adult	460,669	0	1,115,943	1,040,931	0	2,285,354	1,049,384	0	2,280,506	3,329,890
PASAAAR Benefits	0	0	111,659	0	0	132,673	0	0	135,814	135,814
Disability Determination Services	0	0	42,622	0	0	50,584	0	0	55,356	55,356
Total Benefits and Grants	\$ 28,232,364	\$474,999	\$68,207,859	\$33,089,140	\$2,675,908	\$77,101,983	\$33,731,234	\$3,148,138	\$78,100,039	\$114,979,411
										100.0%

Legislative Discussion

Legislative discussion was driven by interest in: 1) the delivery of services to Montana's developmentally disabled population through a statewide infrastructure that provides services in a community setting as well as services provided at MDC; 2) the waiting list for community services; 3) wages and benefits paid to direct care workers; 4) provider rate increases; and 4) goals and objectives related to ongoing program evaluation and initiatives implemented by the 2005 Legislature that responded to the provision of community services through the federal Olmstead Act and state settlement of the Travis D case.

The legislature addressed these issues through appropriations of nearly \$31 million comprising:

1. \$18.0 million to strengthen the infrastructure for community services for developmentally disabled individuals through a rate rebasing project for community providers - \$3.4 million general fund, \$3.9 million state special revenue, and \$10.7 million federal revenue
2. \$5.4 million to increase direct care worker wages throughout the state - \$2.0 million general fund and \$3.4 million federal funds
3. \$4 million to annualize cost plans for clients moving into the community - \$1.4 million general fund and \$3.4 million federal funds
4. \$3.2 million to reduce the waiting list for individuals requesting services in their communities - \$1.0 million general fund and \$2.2 million federal funds
5. \$0.3 million to increase provider rates for the vocational rehabilitation program – \$0.338 million general fund and \$4,000 federal funds

Rate Rebasing

Under federal mandate, the division undertook a project to:

1. Implement a formula-based system with an established price structure for services selected by the consumer rather than governed by the provider's contract with the state;
2. Implement consumer choice among providers and the portability of services from location to location; and
3. Rebase provider rates and establish pilot phases to test them.

Throughout the pilot phases, the division gathered detailed data from providers on all aspects of their costs and the application of those costs to conducting business under the standardized rate and billing structure. The rates were based upon benchmarks and incorporated into the legislative budget. The proposed rates comprise four factors:

1. Direct care wage rate;
2. Employee benefits;
3. Program related costs; and
4. General and administrative costs.

Program related costs were benchmarked at varying rates depending upon the service and geographic remoteness. A geographical factor increases reimbursement rates for some services provided in areas ranking highest in several factors related to costs of housing, labor, etc.

The benchmarks shown in Figure 38 are examples for certain services. The benchmarks do not mean providers are required to pay costs at the rate, but that the reimbursement rate is adequate to pay costs at the specified level. Providers, using funds from the \$18 million appropriation, maintain freedom to establish employee wages, benefits, and other costs. (In another appropriation, which is discussed in the next section, the legislature approved \$5.6 million to increase direct care worker wages throughout the state that is restricted to raising the lowest paid direct care workers to \$8.50 an hour and raise related benefits.)

Figure 38

Published Rates Benchmarks

Component	Individual Supported Employment	Group Home (Regular / Geo 1 - 6 sites)	Day Activity Programs (No Geo)	Supported Living (More than 4 individuals)
Direct Care Wage	\$16.00	\$8.56	\$8.56	\$8.56
Employee Benefits	40.13%	40.13%	40.13%	40.13%
Program Related	27.70%	25.00%	27.70%	25.00%
General & Admin	7.00%	7.00%	7.00%	12.00%
Base Hourly Rate	33.34	17.19	17.84	18.17

Selected Proposed Capitated Rates

Service	Hourly Rate	Mean Hrs. /Day	Days / Month	Hours/ Month	Per Member per Month
Supported Employment Tier #1	\$33.34	1.00	21.00	21.00	\$700.14
Supported Living Base - 30 hrs./ mo.	18.17	1.00	30.45	30.50	\$53.28

Figure 39

Child Provider Rates

Service	Rate
Family Support Specialist	\$483.22 per month
Family Education and Training	\$36.67 per hour
Residential Habilitation (non-facility direct care)	\$18.17 per hour
Residential Habilitation (individual training materials)	\$1,000 per year
Respite Care (direct care)	\$12.96 per hour
Respite Care (individual care items)	\$1,000 per year
Day Habilitation	\$17.84 per hour
Therapies	State Medicaid Plan

Initial child provider rates have been established for children who are enrolled in home and community-based waiver services and will be tested in pilot projects over the 2009 biennium. The rates are based upon data gathered in studies of all providers as well as through a resource allocation tool that was completed by the families showing the amount of services they would choose. Figure 39 shows the initial amounts that will be tested.

Ultimately, all providers will invoice based upon the service and volume of service units provided to a specific client, and will be

reimbursed according to a uniform, published fee schedule.

In the discussion of rate rebasing and in the context of state wide DD infrastructure support and development, the legislature also discussed:

1. Direct care worker salaries and vacancies relative to the potential impact to the clients as well as the health and safety of present staff, and the financial health of the provider;
2. A diminishing labor market for direct care workers throughout the state; and
3. The ability of providers to serve the clients they have as well as accept new clients from the waiting lists.

Support for the Statewide Infrastructure

The legislature approved two initiatives across the department to address staff retention and provision of services at the provider level.

The first initiative, direct care work wage increases, requires service providers who opt to accept the funding to raise the lowest paid direct care worker wages to \$8.50 an hour, raise related benefits and, with any remaining funds, raise direct care worker wages by \$0.70 per hour also including benefits. However, because this division was already addressing direct care worker wages in rate rebasing project, its appropriation included funding for a \$0.19 per hour increase, not \$0.70 per hour. The appropriation for the division totals \$5.6 million.

The second initiative incorporates a 2.5 percent provider rate increase each year of the biennium, which Disability Services proposes to apply to providers of vocational rehabilitation services. The appropriation for the division totals \$0.5 million.

As mentioned earlier, providing care to individuals in their communities has been a concern spanning several sessions. The legislature addressed two appropriations that grew from past legislative action including:

1. Funding to annualize cost plans for 18 individuals that moved to community services due to the closure of Unit 16AB at MDC. The cost plans are estimated at \$100,000 per year over the biennium for an appropriation of \$4 million at the Medicaid matching rate of 32 percent state general fund and about 68 percent federal funds.
2. Funding to reduce the waiting list for individuals requesting services in their communities of \$3.2 million. At the time of legislative discussion, there were about 500 individuals throughout the state receiving no services, and about 800 individuals receiving some services.

Reduction of the waiting list is on-going and occasionally complicated by the need to serve children aging out of foster care services or intensive Medicaid waiver services that must be placed into community services. The division, by law, must place the individuals and does not have an option to move them to the 'end of the waiting list.' The division estimated during the session that there are approximately 25 individuals that may come into the system in the next few years. There is further discussion at DP10010 in the new proposal section.

The legislature also passed HB 64, which assists community placement. The bill revises the definition of "seriously developmentally disabled" for the purpose of commitment to a community-based residential care facilities with the elimination of the requirement that an individual have a disability so severe that he or she needs "total care".

Institutional Population

MDC is a general fund institution operating 24-hour days, 7-days-a-week that receives Medicaid reimbursements for eligible clients. The legislature addressed the support of MDC in light of a population that is difficult to serve due to behavioral issues, criminal commitments, and severity of medical issues by providing: 1) a \$1.6 million general fund supplemental appropriation in HB 3 to support staffing and overtime for FY 2007; and 2) a present law adjustment of \$900,000 general fund over the 2009 biennium to continue support of the staffing needs of MDC and maintain Medicaid certification. Overtime and differential pay must be requested each biennium.

The population of MDC, estimated to be 68 per year over the 2009 biennium, must meet the definition of "a danger to themselves and others". Individuals arrive at MDC by a civil commitment, a criminal commitment, or by a court referral for short term evaluation of their fitness to proceed in criminal cases. Civil commitments are for no longer than one year. In criminal cases, if an individual is capable to stand trial and found guilty, but placement to the correctional system is determined inappropriate, the individual can be committed to MDC as a criminal to serve a criminal sentence. The state must take an individual for an emergency civil commitment or for a criminal sentence. Figure 40 shows MDC appropriation and population estimates.

Figure 40 Montana Developmental Center Expenditures				
	Actual FY 2004	Actual FY 2006	Appropriated FY 2008	Appropriated FY 2009
FTE	327.26	268.80	268.80	268.80
Personal Services	\$13,782,326	\$12,332,832	\$11,842,717	\$11,963,777
All other	<u>2,516,110</u>	<u>2,859,972</u>	<u>2,903,185</u>	<u>2,902,724</u>
Total	<u>\$16,298,436</u>	<u>\$15,192,804</u>	<u>\$14,745,902</u>	<u>\$14,866,501</u>
General Fund	\$16,249,031	\$15,145,371	\$14,698,469	\$14,819,068
State Special Rev.	49,405	47,433	47,433	47,433
Federal Special	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$16,298,436</u>	<u>\$15,192,804</u>	<u>\$14,745,902</u>	<u>\$14,866,501</u>
Population	84	78	68	68
Cost Per Person	\$194,029	\$194,780	\$216,852	\$218,625
Cost Per Day	\$532	\$534	\$594	\$599
Federal Reimbursements	\$13,694,871	\$8,343,836	\$8,343,836	\$8,343,836

Litigation

At the start of the session the department was still under pending litigation that was filed in September, 2002 by the Montana Association for Independent Disability Services, Inc. (MAIDS) and several individuals with developmental disabilities. MAIDS is a non-profit organization comprised of entities providing community-based services to individuals with developmental disabilities. This suit alleged that the disparity in wages and benefits paid to employees of community based providers, versus the wages and benefits paid to employees of state institutions, has resulted in irreparable and unnecessary harm to the plaintiffs. The plaintiffs alleged that several statutory and constitutional provisions have been violated and seek: 1) to have the wage and benefit disparity between employees of state run institutions and community providers eliminated; and 2) to have uniform Medicaid reimbursement rates established.

The court was scheduled to hear this lawsuit in April of 2007. However, the parties agreed to settle the suit during the session. As of early June, 2007, DPHHS and MAIDS have reached an agreement regarding the settlement and are developing details for the notification to members of the class action and their representatives.

Changes to the Executive Budget

The legislature:

1. Reduced the original HB2 executive request to place individuals presently on the DD waiting list into developmentally disabled community services by more than \$8.0 million. The original request was \$11.4 million. The legislature provided \$3.2 million over the biennium comprising \$1.0 million general fund and \$2.2 million federal revenue.
2. Provided increases of:
 - \$5.7 million over the biennium for direct care worker wages and provider rate increases; and
 - \$2.8 million over the biennium for pay and retirement plans via HB 13, HB 63, and HB 131

Goals and Objectives

In addition to the items discussed above, the legislature also discussed components in the division's goals and objectives that addressed health services savings accounts for individuals with disabilities, the acquisition of communication equipment for clients with hearing loss, a speech disability, or a mobility disability, and the continued efficiency of Disability Determination Services

In accordance with legislative interest in the use of goals and objectives as part of the legislative decision making process and ongoing program evaluation, the legislature included language in HB 2 requesting that the division report its progress toward the goals and objectives throughout the interim to the Legislative Finance Committee and the Children, Families, Health, and Human Services Interim Committee. The goals and objectives for the division may be found at: <http://www.dphhs.mt.gov/2007leg/bfsd.pdf>

The Governor vetoed reporting language in HB 2.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Disability Services Division							
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009	
01000 Total General Fund	\$ 46,584,972	36.5%	\$ 52,220,731	35.6%	\$ 53,682,034	36.1%	
01100 General Fund	46,584,972	36.5%	52,220,731	35.6%	53,682,034	36.1%	
02000 Total State Special Funds	1,458,428	1.1%	4,770,115	3.3%	4,186,431	2.8%	
02035 Mdc Vocational	47,433	0.0%	47,433	0.0%	47,433	0.0%	
02159 Handicapped Telecommunications	931,196	0.7%	2,034,056	1.4%	982,611	0.7%	
02475 Ddp Training Fund	4,800	0.0%	4,800	0.0%	4,800	0.0%	
02761 Medicaid Pilot Program Dd	-	-	16,000	0.0%	16,000	0.0%	
02772 Tobacco Hlth & Medico Initiative	474,999	0.4%	2,667,826	1.8%	3,135,587	2.1%	
03000 Total Federal Special Funds	79,524,316	62.3%	89,597,866	61.1%	90,801,355	61.1%	
03024 Soc Sec - Trust Funds	183,144	0.1%	183,144	0.1%	183,144	0.1%	
03554 84.169 - Independent Living 90	266,463	0.2%	272,794	0.2%	275,133	0.2%	
03555 84.177 - Indep Living Old Blin	182,381	0.1%	208,370	0.1%	214,313	0.1%	
03556 84.181 - Part H - Early Interv	1,651,181	1.3%	1,651,181	1.1%	1,651,181	1.1%	
03557 84.187 - Vic Sup Employment	291,302	0.2%	291,453	0.2%	291,453	0.2%	
03558 84.224 - Mon Tech 100%	502,755	0.4%	502,755	0.3%	502,755	0.3%	
03559 84.265 - In Service Training 9	64,188	0.1%	68,329	0.0%	68,358	0.0%	
03579 93.667 - Ssbj - Benefits	4,462,376	3.5%	4,462,376	3.0%	4,462,376	3.0%	
03580 6901-93.778 - Med Adm 50%	369,998	0.3%	384,759	0.3%	386,829	0.3%	
03583 93.778 - Med Ben Fmap	54,001,494	42.3%	62,899,885	42.9%	63,707,904	42.9%	
03588 93.802 - Disabil Deter Adm 100	4,611,383	3.6%	4,966,914	3.4%	5,170,640	3.5%	
03599 03 Indirect Activity Prog 10	2,591,058	2.0%	2,992,779	2.0%	3,108,451	2.1%	
03604 84.126 - Rehab-Sec110 A 78.7%	10,316,847	8.1%	10,683,381	7.3%	10,749,072	7.2%	
03702 6901-Rural Transportatn Access	29,746	0.0%	29,746	0.0%	29,746	0.0%	
Grand Total	\$ 127,567,716	100.0%	\$ 146,588,712	100.0%	\$ 148,669,820	100.0%	

Disability Services Division (DSD) is funded with a combination of 36 percent general fund, 3 percent state special revenue, and 61 percent federal funds. Most general fund support is used to draw down federal matching funds. The matching ratio for federal programs administered by the division varies. However, the most common ratios are:

- o Medicaid services are funded at the federal medical assistance participation rate (FMAP), which is generally about 32 percent state funds and 68 percent federal funds
- o Medicaid administrative costs are funded on a 50/50 ratio of state and federal funds
- o Vocational Rehabilitation services are funded on a 21/79 ratio of state and federal funds
- o Disability determination services are funded entirely with federal funds
- o The Montana Developmental Center (MDC) is funded entirely with general fund. Medicaid reimbursements for services provided at MDC are first used to repay bond debt and the remaining balance is deposited in the general fund

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,013,428					1,184,453
Vacancy Savings				(928,857)					(935,725)
Inflation/Deflation				95,656					104,163
Fixed Costs				(152,703)					(167,622)
Total Statewide Present Law Adjustments				\$27,524					\$185,269
DP 6015 - State Motor Pool Rate Change									
0.00	(513)	(422)	(78)	(1,013)	0.00	(528)	(436)	(81)	(1,045)
DP 10001 - Adjust I-149 Funding									
0.00	(475,001)	475,001	0	0	0.00	(475,001)	475,001	0	0
DP 10002 - FMAP Adjustment									
0.00	1,398,752	0	(1,398,752)	0	0.00	1,540,649	0	(1,540,649)	0
DP 10003 - Annualization of Community Services Cost Plans									
0.00	695,174	0	1,671,368	2,366,542	0.00	701,609	0	1,664,933	2,366,542
DP 10004 - MDC Base Adjustments (Biennial)									
0.00	439,448	0	0	439,448	0.00	449,601	0	0	449,601
DP 10005 - DSD Rent for non-state facilities									
0.00	5,587	2,510	16,088	24,185	0.00	10,366	3,195	27,079	40,640
DP 10007 - Disability Determination Services Base Adjustments									
0.00	0	0	157,521	157,521	0.00	0	0	238,241	238,241
DP 10008 - VR Tuition Increases									
0.00	44,359	0	163,897	208,256	0.00	56,237	0	207,786	264,023
DP 10020 - Health Services Accounts									
0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
Total Other Present Law Adjustments									
0.00	\$2,107,806	\$493,089	\$610,044	\$3,210,939	0.00	\$2,282,933	\$493,760	\$597,309	\$3,374,002
Grand Total All Present Law Adjustments				\$3,238,463					\$3,559,271

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 10001 - Adjust I-149 Funding - The legislature included replacement of \$475,000 of general fund with state special revenue I-149 funds each year of the biennium. The 2005 Legislature appropriated funding for the 2007 biennium to support increasing the direct care worker salary benchmark in the DD provider published rate schedule from the 25th to 35th percentile of comparable salaries using both general fund and I-149 funds. However, to allow the I-149 balance to build, the 2005 Legislature appropriated general fund for FY 2006 and state special revenue for FY 2007, which placed \$450,000 in general fund in the base year. The unintended consequence is that general fund rather than I-149 funding was included for both years of the 2009 biennium and no I-149 funds were used. This appropriation establishes the funding as intended by the 2005 Legislature.

DP 10002 - FMAP Adjustment - The legislature added general fund of almost \$2.9 million over the biennium to offset the decrease in federal funds from the projected change in Federal Medical Assistance Percentage (FMAP) rates for FY 2008 and FY 2009, and maintain current activities. The projected FMAP rate for FY 2008 is 68.62 percent and 68.40 percent for FY 2009, as compared to the base year FMAP of 70.76 percent for FY 2006. Please refer to the agency narrative for a discussion of the federal Medicaid matching rates.

DP 10003 - Annualization of Community Services Cost Plans - The legislature included \$1.4 million general fund and \$3.3 million federal funds over the biennium to support annualized cost plans for 18 individuals in developmental disability community services. The appropriated funding for these individuals was unused in FY 2006 due to the timing of the closure of Unit 16 AB at the Montana Developmental Center, and because some 16 AB clients could not be immediately placed in the community. The unused portion of the appropriation was reverted and is not in the base. This appropriation restores the funding at the Medicaid program matching rate of approximately 32 percent state general fund to approximately 68 percent federal funds. Funding supports 18 clients with cost plans estimated at \$100,000 in the 2009 biennium.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification and Goal: The Developmental Disabilities Program (DDP) expects to move 18 individuals from the Montana Developmental Center (MDC) unit 16 AB into community services by the summer of 2007.

Performance Criteria, Milestones: The individuals will be in community service settings and receive uninterrupted services. Staff will monitor program budgets monthly and provide updates to LFD staff for submission to members of the Joint Appropriations Health and Human Services Subcommittee, and if indicated, to the Legislative Finance committee. The updates should include the number of individuals moved into the community, which community they entered, and the provider serving them. Additionally, updates are requested to show the number of crisis incidents and clients that had to be relocated to MDC or another community, and why.

Obstacles and risks: Community services must be provided. This appropriation attempts to secure the provision of services to avoid reducing or cutting services in other areas.

DP 10004 - MDC Base Adjustments (Biennial) - The legislature approved a biennial appropriation of nearly \$0.9 million general fund to maintain Montana Developmental Center (MDC) staffing requirements for its 24-hour day, 7-days-a-week services. The appropriation is designated biennial to assist MDC through the transition of the closure of Unit 16 AB and movement of individuals from MDC into the community.

DP 10005 - DSD Rent for non-state facilities - The legislature approved \$15,953 of general fund, \$5,705 of state special revenue, and \$43,167 of federal funds over the biennium for rent of non-state facilities. The funding is primarily related to increases that are built into the lease agreements for field offices in non-Department of Administration buildings for the Developmental Disabilities and Vocational Rehabilitation programs.

DP 10007 - Disability Determination Services Base Adjustments - The legislature included an increase of \$395,762 in federal funds over the biennium to address the workload increase for Disability Determination Services including:

- Overtime of approximately \$22,816 each year to help process the workload in an electronic environment to meet SSA required productivity levels while addressing the number of pending cases
- An increase in 'other services' for medical consultants to review all cases cleared through the DDS as mandated by federal law (Cases are projected to return toward the historical average with estimates of 11,357 FY 2008 and 12,493 clearances in FY 2009. The increase results in the total \$120,446 in FY 2008 and \$193,150 in FY 2009.)
- An increase for rent to about \$16,000 over the biennium for the DDS office
- Reimbursement for required travel for disability claimants to consultative examinations that are reimbursed at state per diem rates (Projections based on the increase in case clearances mentioned above were funded at \$7,962 in FY 2008 and \$12,734 for FY 2009.)

DP 10008 - VR Tuition Increases - The legislature appropriated just over \$100,000 of general fund and \$370,000 of federal funds over the biennium to provide a 5 percent tuition increase for non-state schools, and no increase for state schools. The funds, which are a portion of the Vocational Rehabilitation benefits, would offset increases in tuition costs and maintain current level services that assist individuals with disabilities to return to work. Tuition historically represents about 43 percent of all benefits. This appropriation increases funds for tuition to \$3.92 million in FY 2008 and \$3.98 million in FY 2009. Funding for this appropriation is split 21.30 percent general fund and 78.70 percent federal funds.

DP 10020 - Health Services Accounts - The legislature appropriated \$16,000 in state special revenue each year of the biennium to continue the Medicaid pilot program to create waiver services savings accounts for individuals with developmental disabilities. The original funding was appropriated in the 2005 Session via SB 433 for DSD to implement the pilot program.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
10	0.00	649,209	16,292	228,718	894,219	0.00	1,422,965	28,672	452,915	1,904,552
DP 6014 - Retirement Employer Contributions - HB63 & HB131										
10	0.00	17,823	233	5,112	23,168	0.00	18,900	242	5,271	24,413
DP 10009 - Montana Youth Leadership Forum (MYLF)										
10	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 10010 - DD Wait List Reduction (Restricted)										
10	0.00	500,000	0	1,093,372	1,593,372	0.00	500,000	0	1,082,278	1,582,278
DP 10011 - DD Rate Rebasing										
10	0.00	1,582,172	1,717,826	4,869,677	8,169,675	0.00	1,814,413	2,185,587	5,840,515	9,840,515
DP 10016 - DD Crisis Funding										
10	0.00	120,000	0	0	120,000	0.00	120,000	0	0	120,000
DP 10018 - MTAP new technologies (Restricted / Biennial)										
10	0.00	0	1,065,000	0	1,065,000	0.00	0	0	0	0
DP 10021 - Developmental Disabilities Program - Fed Authority										
10	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 10026 - VR Transition Counselor										
10	1.00	55,283	0	0	55,283	1.00	51,884	0	0	51,884
DP 10501 - Provider Rate Increases (Restricted)										
10	0.00	91,422	0	1,916	93,338	0.00	246,847	0	3,866	250,713
DP 10601 - Direct Care Worker Wage Increases (Restricted)										
10	0.00	1,050,088	0	1,668,390	2,718,478	0.00	1,055,431	0	1,663,047	2,718,478
Total	1.00	\$4,115,997	\$2,799,351	\$8,867,185	\$15,782,533	1.00	\$5,280,440	\$2,214,501	\$10,047,892	\$17,542,833

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan in HB 13 of the regular session that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB63 & HB131 - The legislature adopted HB63 and HB131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

DP 10009 - Montana Youth Leadership Forum (MYLF) - The legislature appropriated \$100,000 general fund over the biennium to support the Montana Youth Leadership Forum (MYLF) for youth with disabilities, including Indian students on Montana reservations.

At 5 days intensive training, youth with disabilities cultivate leadership, citizenship, and social skills. They work on goals while developing a personal leadership plan and a resource plan. So far, 108 Montana youth have completed the program. The 2005 Legislature appropriated \$50,000 per year through HB 550 for the summer of 2005 and the summer of 2006 to help fund the program.

DP 10010 - DD Wait List Reduction (Restricted) - The legislature provided \$1.0 million general fund and \$2.2 million federal funds over the biennium that are restricted to support individuals currently on the developmental disability community services waiting list.

DP 10011 - DD Rate Rebasing - The legislature appropriated \$18.0 million comprising \$3.4 million general fund, \$3.9 million in state special revenue funds, and \$10.7 million federal funds over the biennium, to support adjustments of the developmental disability program provider rates.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The objective is to compensate DDP providers at a standardized rate allowing them to maintain and elevate the quality of care for our DDP clients statewide. While some DDP providers provide Vocational Rehabilitation services and/or may operate recycling operations, there is little alternative to increase revenues except from legislative increases.

Funding supports case management services rates and adult services rate rebasing as well as an employee wage benchmark based on reported case manager wage data. Providers hope to reduce caseloads, allowing case managers to provide quality service as the program transitions to a standardized rate system with individualized services and individualized budgets. Other services addressed by this funding are children's family education and support services (FESS) and DDP waiver transportation services, which are not currently in a standardized rate system.

Goals, Performance Criteria, and Milestones: The goal is to maintain or elevate quality care for DDP clients by upholding a strong provider financial and programmatic infrastructure that will facilitate community services for individuals with developmental disabilities and continue of the vision for community integration.

The program intends to perform a similar rebasing effort every two years in advance of each legislative session. The data received should be sufficient to gauge the level of success achieved by increasing the standardized rates. The program should be able to determine whether the increases have kept pace with inflation and whether staff turnover rates and vacancy periods have declined. The program should be able to determine if providers have made choices to adjust costs and thus bring their costs more in line with other providers, and in line with their revenues. Eventually, the standard deviation of the costs around the average should decline. Revised standardized rates will be effective July 1, 2007 that will reflect the increases coming from this budget request.

Funding: Funding is a mix of Medicaid program matching rate of approximately 32 percent state general fund to approximately 68 percent federal funds for Medicaid waiver services and state plan case management services; general fund for the increases to FESS services; general fund for increases to non-Medicaid services; and a small amount of Medicaid Admin at a 50 percent state general fund to a 50 percent federal fund match related to case management eligibility determination. There is also a continuation of I-149 funds.

Obstacles and Risks: Providers are experiencing increases in direct care staff turnover and extended periods of having those positions remain vacant for a lack of interest by the labor market. This poses a problem for providers in the new rate system because they can only invoice for direct care services provided when the direct care staff are present to provide the service and could possibly lead to the ruin of the provider organization and again negatively impact the quality of care for DDP clients.

DP 10016 - DD Crisis Funding - The legislature provided one-time-only funding of \$240,000 general fund over the biennium to support services for individuals in crisis in the community setting. The Travis D settlement includes funding for \$200,000 per year to support crisis situations.

DP 10018 - MTAP new technologies (Restricted / Biennial) - The legislature approved a restricted, biennial, and contingent appropriation of \$1.0 million of state special revenue authority for use by MTAP should the federal government mandate a funding switch from federal to state revenue and have states assume payment for new technologies related to video relay service (VRS) and internet protocol (IP). The appropriation would make use of the handicapped telecommunications state special revenue account fund balance, and would be contingent upon a Federal Communications Commission ruling that the states pay for VRS and IP Relay. If the entire appropriation is spent, a minimum projected fund balance would be \$200,000 at the end of SFY 2009.

DP 10021 - Developmental Disabilities Program - Fed Authority - Additional federal Medicaid authority of \$2.0 million was added by the legislature for the biennium to provide appropriation authority for increases in federal grants or to maximize general fund under the Home and Community Based Waiver, which funds services to individuals with developmental disabilities. The federal authority would not require any future commitment of general fund dollars.

DP 10026 - VR Transition Counselor - The legislature added \$107,167 general fund over the biennium to support 1.00 FTE for a vocational rehabilitation counselor as part of the initiative to improve outcomes for young adults with disabilities. The counselor would work with local school districts to assist in identifying disabled students and coordinating available services they might use as they transition from high school into adult life.

DP 10501 - Provider Rate Increases (Restricted) - The legislature included \$0.34 million of general fund for increases in provider rates for the Vocational Rehabilitation and Low Vision Programs of 2.5 percent in FY 2008 with an addition increase of 2.5 percent for FY 2009. Implementation is to be October, 2007.

DP 10601 - Direct Care Worker Wage Increases (Restricted) - The legislature increased direct care worker wages with a \$1.6 million restricted appropriation each year of the biennium for a legislative initiative that increases the minimum wage from the \$8.00 per hour contained in the rate rebasing component of the Disability Services Division budget to \$8.50 per hour, and adds an additional \$0.19 cents per hour to the base wage component. Implementation is anticipated October 1, 2007.

Language

The legislature approved the following language for inclusion in HB 2.

The Governor vetoed some of the language. Vetoed language is shown in *italic*.

“Funding for MTAP New Technologies includes \$1,065,000 in biennial state special revenue in fiscal year 2008 for the Montana telecommunications access program that is contingent upon passage of federal communication commission regulations requiring states to pay for new technologies related to video relay service (VRS) and internet protocol relay (IP). Funding for MTAP new technologies may be expended only to replace federal funds for VRS and IP services.

Included in Disability Services Division / Reporting is \$200 in general fund money each year for a semi-annual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Funding for DD Wait List Reduction may be expended only for developmental disabilities community services for persons who are on the waiting list and currently not receiving community services and for persons who are receiving some community services and are in need of further services.

Funds in Direct Care Worker Wage Increases must be used to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increases may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increases. Funds in Direct Care Worker Wage Increases must be used first to raise the lowest paid direct care workers up to \$8.50 an hour and raise related benefits, and the remaining balance may be used to raise wages and related benefits of all direct care workers. To the extent of available appropriations, the department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the

rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. *Disability Services Division/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates.*

Funds in Provider Rate Increases must be used to raise provider rates.

Provider Rate Increase will be implemented starting October 1, 2007.”

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	81.00	0.00	6.00	87.00	0.00	6.00	87.00	87.00
Personal Services	3,258,627	886,028	545,602	4,690,257	897,046	687,322	4,842,995	9,533,252
Operating Expenses	8,525,672	(135,882)	1,688,666	10,078,456	(365,517)	1,185,774	9,345,929	19,424,385
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	444,205,071	60,428,236	45,167,702	549,801,009	87,112,302	64,182,508	595,499,881	1,145,300,890
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$456,180,930	\$61,178,382	\$47,401,970	\$564,761,282	\$87,643,831	\$66,055,604	\$609,880,365	\$1,174,641,647
General Fund	99,892,880	22,905,734	1,972,294	124,770,908	34,230,818	3,891,264	138,014,962	262,785,870
State/Other Special	23,744,825	14,391,209	13,281,154	51,417,188	4,391,819	17,199,161	45,335,805	96,752,993
Federal Special	332,543,225	23,881,439	32,148,522	388,573,186	49,021,194	44,965,179	426,529,598	815,102,784
Total Funds	\$456,180,930	\$61,178,382	\$47,401,970	\$564,761,282	\$87,643,831	\$66,055,604	\$609,880,365	\$1,174,641,647

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, children's mental health services, and the Children's Health Insurance Program (CHIP). The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of division services are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses medical services for the aged, blind, disabled, children, and low-income families. The Children's Mental Health Bureau is predominately financed through Medicaid. A small federal Substance Abuse and Mental Health Services Administration (SAMHSA) grant provides regional infrastructure and very limited services for children below 150 percent of the federal poverty level.

The division administers CHIP as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. CHIP dental and eyeglasses benefits are reimbursed directly by the department.

The division also administers several state funded programs that provide prescription drug assistance and information to Montanans. Big Sky Rx is a premium assistance payment program to help Medicare eligible persons with incomes below 200 percent of the federal poverty level pay Part D pharmacy premiums. Pharmassist is a program to provide information about prescription drugs. The programs are funded from tobacco revenue and were initiated in response to a citizen passed initiative (I-149) in November 2004 that raised tobacco taxes, most notably \$1 per pack of cigarettes. There is also a pharmacy program to assist low-income Montanans that is to be implemented during the 2009 biennium and funded from rebates paid by pharmaceutical companies.

Program Highlights

Health Resources Division Major Budget Highlights	
♦	The 2009 biennium budget is \$1.2 billion compared to the 2007 biennium budget of \$1.0 billion
♦	The 2009 biennium budget is \$179.7 million total funds greater than the 2007 biennium budget, with a net increase of \$55.8 million general fund and \$32.2 million state special revenue
♦	Compared to base budget expenditures, the 2009 biennium appropriation increases \$262.3 million total funds, including \$63.0 million general fund, due largely to: <ul style="list-style-type: none"> • Medicaid service and eligibility increases - \$64.3 million, including \$19.6 million general fund • Continuation of the hospital utilization fee - \$44.8 million, including \$15.6 million in tax revenue used as federal Medicaid match • CHIP eligibility expansions and self administration (including 5.00 new FTE) and enrollment growth from 12,019 to 13,900 - \$26.6 million total funds, including \$5.6 million state special revenue • Big Sky Rx funding growth of \$11.1 million in health and Medicaid initiatives account state special revenue • Annualization of Medicaid eligibility expansions for children and provider rate increases approved by the 2005 Legislature - \$15.1 million total funds, including \$5.1 million state special revenue • Service expansions and dental access initiatives - \$23.1 million total funds, including \$2.3 million general fund and \$3.2 million health and Medicaid initiatives state special revenue • Provider rate increases - \$13.2 million total funds, including \$1.8 million general fund and \$3.3 million health and Medicaid initiatives state special revenue
♦	In addition to service and eligibility caseload growth and expansions, general fund rises due to: <ul style="list-style-type: none"> • Reductions in the federal Medicaid match rate, which increase general fund by \$13.4 million and reduce federal funds by a like amount in order to continue FY 2006 level of services • Payment of the clawback for assumption of some Medicaid drug costs by Medicare Part D prescription coverage - \$15.3 million
♦	Funding for personal services rises \$3.0 million, due to the 2009 biennium pay plan, vacancies during FY 2006, and funding for 6.00 new FTE.

Program Narrative

The HRD budget is driven by changes in benefits and services costs, rising to 98.3 percent of the FY 2009 budget from 97.4 percent of FY 2006 base expenditures. Services costs grow due to:

- Medicaid service utilization and provider rate increases
- Big Sky Rx enrollment growth
- Medicaid and CHIP eligibility expansions
- Hospital utilization fee increases

Funding for personal services and operating costs increase partly due to the 2009 biennium pay plan and HRD assumption of CHIP administration, including 5.00 new FTE. Fully funding present level FTE costs also contributes to personal services growth since some positions were vacant part or all of FY 2006.

Present law adjustments at \$148.8 million are slightly greater than new proposals at \$113.5 million, largely due to Medicaid caseload costs, CHIP enrollment funding, and Big Sky Rx increases. New proposals include provider rate and direct care worker wages increases, Medicaid and CHIP eligibility expansions, and implementation of a family planning waiver.

General fund increases are due almost entirely to present law changes, contributing \$57.1 million of the total change. New proposals add \$5.9 million general fund. State special revenue increases are driven by annualization of 2007 biennium provider rate increases, expansion of Medicaid eligibility for children authorized by the 2005 Legislature, and appropriations for 2009 biennium provider rate increases, eligibility expansions, and Big Sky Rx funding. Federal funds grow primarily due to Medicaid cost increases and, to a much lesser extent, federal CHIP grant funding.

Legislative Initiatives

The legislature appropriated \$28.4 million total funds, including \$2.4 million general fund to fund its own initiatives. Figure 41 shows individual appropriations approved by the legislature that were not included in the executive budget or were increases above the executive budget request.

Figure 41 Legislative Appropriation Initiatives - Health Resources Division					
Purpose	FY 2008		FY 2009		% of Ttl
	General Fund	Total Funds	General Fund	Total Funds	
Medicaid Expansions					
Pregnant Women and 1 Yr. Olds	\$0	\$3,004,514	\$0	\$3,863,233	18.0%
Medically Needy Income	371,647	1,464,511	743,295	2,918,906	13.6%
Provider Rate Increase*	0	(67,093)	875,012	6,639,967	31.0%
CHIP to 175 Percent of Poverty	0	934,920	0	4,228,493	19.7%
Physician Rate Increase	0	0	520,306	2,043,324	9.5%
Direct Care Worker Wage Increase	18,036	1,013,178	19,050	1,013,178	4.7%
Expand CHIP Dental Benefit - HB 198	100,000	455,997	100,000	452,284	2.1%
Campus Based Rate Equity	23,785	93,728	54,261	213,819	1.0%
System of Care Sustainability*	171,647	171,647	171,647	171,647	0.8%
Prescription Drug Review	(40,975)	(100,000)	(41,225)	(100,000)	-0.5%
Total Legislative Initiatives	\$644,140	\$6,971,402	\$2,442,346	\$21,444,851	100.0%
2009 Biennial Total			\$3,086,486	\$28,416,253	

*This amount is the net change from the original executive recommendation.

The most significant change expanded Medicaid eligibility for pregnant women and children up to 1 year old and allowed elderly and disabled persons in the community to keep more of their income (medically needy eligibility change). These expansions added \$11.3 million over the biennium. Health and Medicaid initiatives account funds were appropriated to pay the state matching funds to support the expansion for pregnant women and infants (\$2.2 million over the biennium).

The legislature expanded eligibility for CHIP from 150 percent of the federal poverty level to 175 percent and also added funds for an expanded dental benefit for children who need more services than covered by the standard CHIP benefit.

The legislature funded a direct care worker wage increase, approved provider rate increases above the executive request and appropriated more general fund to sustain the children's system of mental health care than requested by the executive. Part of the state match for the rate increases comes from the health and Medicaid initiatives account (\$3.3 million over the biennium). The legislature approved rate increases for physicians and campus based children's mental health providers. Finally, the legislature approved operating cost increases to review prescription drug purchases with an expected reduction in Medicaid services costs that more than offset the operating cost increases.

The general fund to support legislative initiatives was provided in part by reductions in the Medicaid caseload estimates. Medicaid cost estimates declined by \$6.8 million general fund department wide. The agency narrative explains in more detail the differences between the DPHHS legislative appropriation and the executive budget.

Other Appropriation Increases

In addition to legislative initiatives, other major biennial increases are:

- Medicaid service utilization and eligibility growth, including clawback payments – \$120.1 million total funds (\$42.1 million general fund)
- Maintenance of hospital rate increases from the hospital bed tax - \$44.8 million total funds (\$15.6 million bed tax state special revenue)
- CHIP program changes, including moving to state administration - \$10.5 million total funds (\$3.2 million of tobacco settlement and health and Medicaid initiatives state special revenue)
- Enrollment increases in Big Sky Rx - \$9.8 million health and Medicaid initiatives state special revenue
- Implementation of a family planning waiver - \$6.2 million total funds (\$0.7 million general fund)
- Enhanced access to dental services - \$6.1 million total funds (\$1.1 million state special revenue from interest income from the tobacco settlement trust fund and \$0.8 million general fund)
- Funding for a prescription drug discount program supported by drug rebate revenue - \$2.4 state special revenue

Summary of Division Budget by Function

Figure 42 shows the main functions and services administered by HRD. The largest function is Medicaid services, which accounts for 80.4 percent of the FY 2009 appropriation. Children's Mental Health is the next largest component at 13.5 percent followed by CHIP with 5.6 percent. Big Sky Rx programs account for less than 1.0 percent of the total FY 2009 appropriation largely because the premium assistance program for persons enrolled in Medicare Part D is funded from a biennial appropriation.

Figure 42

Fiscal 2006 Base Budget Compared to 2009 Biennium Legislative Appropriation - Health Resources Division

Major Function and Services	FY 2006 Base Budget			FY 2008 Legislative Appropriation			FY 2009 Legislative Appropriation			% of Total	
	General Fund	SSR	Federal	General Fund	SSR	Federal	General Fund	SSR	Federal		
Major Function											
Medicaid Services	\$82,508,747	\$17,568,050	\$272,940,824	\$373,017,621			\$113,943,105	\$31,907,118	\$344,308,671	\$490,158,894	80.4%
Children's Health Resources	218,782	3,993,350	16,423,596	20,635,728			100,000	7,461,340	26,637,392	34,198,732	5.6%
Children's Mental Health	17,165,351	1,252,354	43,178,805	61,596,510			23,971,549	2,534,736	55,561,483	82,067,768	13.5%
Big Sky Rx Programs	0	931,071	0	931,071			0	3,410,867	0	3,410,867	0.6%
Health Insurance Premium Assistance Program	0	0	0	0			308	21,744	22,052	44,104	0.0%
Total Division Budget*	\$99,892,880	\$23,744,825	\$332,543,225	\$456,180,930			\$138,014,962	\$45,335,805	\$426,529,598	\$609,880,365	100.0%
Percent of Total	22%	5%	73%	100%	22%	9%	23%	7%	70%	100%	
Compounded Annual Rate of Change					12%	47%	11%	-12%	10%	8%	
Benefits											
Medicaid Services											
Hospital Services	\$43,083,560	\$861,469	\$91,676,318	\$135,621,347			\$47,103,276	\$1,554,659	\$104,776,784	\$153,434,719	25.8%
Hospital Utilization Fee	0	11,111,200	26,605,026	37,716,226			0	20,324,595	44,183,150	64,507,745	10.8%
Children's Mental Health Svcs	15,247,280	1,252,354	38,215,408	54,715,042			23,229,392	2,435,534	53,959,287	79,624,213	13.4%
Managed Care Services	12,434,750	2,539,471	37,003,780	51,978,001			17,203,846	5,134,353	53,680,006	76,018,205	12.8%
Pharmacy Services	13,919,401	0	34,067,100	47,986,501			15,778,078	46,930	34,795,206	50,620,214	8.5%
Acute Services	10,211,595	3,043,658	19,607,087	32,862,340			13,776,027	5,175,662	31,380,438	50,332,127	8.5%
Medicare Buy-In	5,090,838	0	12,873,129	17,963,967			7,310,794	0	15,905,448	23,216,242	3.9%
Clawback Payment for Part D	0	0	0	0			8,317,885	0	0	8,317,885	1.4%
Cervical and Breast Cancer	473,468	0	1,837,226	2,310,694			790,551	19,100	2,830,897	3,640,548	0.6%
Indian Health Services	0	0	33,881,359	33,881,359			0	0	39,841,640	39,841,640	6.7%
School Based Services	0	0	9,998,320	9,998,320			0	0	11,755,918	11,755,918	2.0%
CHIP	207,261	3,783,054	15,558,704	19,549,018			100,000	6,953,660	24,848,919	31,902,579	5.4%
Big Sky Rx	0	206,364	0	206,364			0	0	0	0	0.0%
Pharmacy Discount Program	0	0	0	0			0	2,037,846	0	2,037,846	0.3%
Pharmacist Program	0	0	0	0			0	250,000	0	250,000	0.0%
Total Benefits	\$100,668,153	\$22,797,570	\$321,323,457	\$444,789,179			\$133,609,850	\$43,932,339	\$417,957,692	\$595,499,881	100.0%
Percent of Total Benefits	22.6%	5.1%	72.2%	100.0%	21.9%	9.0%	22.4%	7.4%	70.2%	100.0%	
Annual Rate of Change					9.3%	47.6%	11.2%	-11.6%	10.0%	8.3%	

The appropriations for services provided to low-income persons are 97.6 percent of the HRD appropriation. The Medicaid Services subprogram appropriation narrative discusses the detailed appropriation decisions made by the legislature that drive the changes in each Medicaid service. The major changes are continuation of the hospital utilization fee, changes in enrollment and service utilization, provider rate increases, and service and eligibility expansions.

In total, services appropriations increase 8.3 percent annually from the base budget through FY 2009. The general fund remains relatively constant despite a reduction in the federal Medicaid match rate that required an additional \$10.9 million general fund to maintain the FY 2006 level of service.

The state special revenue share of the budget increases slightly from 5.1 percent of base level expenditures to 7.4 percent of the FY 2009 appropriation. That change is driven by appropriation of health and Medicaid initiative state special revenue to support Medicaid provider rate increases and a service expansion, which raised eligibility for pregnant women and children under 1 year old from 133 percent to 150 percent of the federal poverty level.

Medicaid hospital services, including the hospital utilization fee, are the most significant service expenditure accounting for more than a third of the total division budget. Children's mental health services account for 13.1 percent. Managed care services, including the primary care provider program, and pharmacy services account for about a fifth of the division budget. Pharmacy services are net of an estimated \$15.7 million in rebates paid by drug manufacturers.

Acute services, primarily physician services, account for about 8.5 percent of the FY 2009 benefits budget. The Medicare buy-in program, where the Medicaid program pays the Part A (physician services) and Part B (hospital services) premiums for Medicare eligible persons, is about 3.9 percent. The clawback payment, while only comprising 1.4 percent of the FY 2009 benefits budget, is significant because it is 100 percent general fund. Except for Big Sky Rx programs, which are funded from health and Medicaid initiatives account revenue, the clawback is the only function that is fully funded with state funds (general fund in this case).

Breast and cervical cancer services are under 1.0 percent of the total division budget. Persons with incomes under 200 percent of the federal poverty level and who are screened and diagnosed through the Montana breast and cervical cancer program, can qualify for Medicaid coverage of cancer treatment and other basic Medicaid services.

Indian Health Services benefits represent federal Medicaid reimbursement for services provided by: 1) Indian Health Services to Medicaid eligible persons; or 2) by tribes that directly administer services that in other instances would be administered by Indian Health Services.

Schools receive federal reimbursement for Medicaid services provided by schools for eligible students. Federal changes eliminated reimbursement for some services limiting growth in that service.

CHIP services are 5.4 percent of the division benefits budget and grow from base budget costs of \$19.5 million to \$31.9 million in the FY 2009 appropriation. The growth is due to a legislative initiative that raised financial eligibility from 150 percent to 175 percent of the federal poverty level, state assumption of program administration, and inflation in health services costs.

Big Sky Rx provides premium payment assistance to Medicare Part D beneficiaries with incomes under 200 percent of the poverty level with an appropriation of almost \$9.7 million over the biennium. The Pharmacy Discount program, which is not yet implemented, would provide drug assistance to low income Montanans and would be funded by pharmaceutical rebates and received a \$3.4 million appropriation over the biennium. The Pharmassist program initiated during FY 2007 provides information about prescription drugs. It received an appropriation of \$0.5 million over the biennium. Big Sky Rx and Pharmassist are funded from health and Medicaid initiative state special revenue.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 99,892,880	21.9%	\$ 124,770,908	22.1%	\$ 138,014,962	22.6%
01100 General Fund	99,892,880	21.9%	124,770,908	22.1%	138,014,962	22.6%
02000 Total State Special Funds	23,744,825	5.2%	51,417,188	9.1%	45,335,805	7.4%
02053 Medicaid Nursing Home Match	60,196	0.0%	60,196	0.0%	60,196	0.0%
02142 Medicaid Third Party Revenue	783,301	0.2%	783,301	0.1%	783,301	0.1%
02311 6901-02 Indrct Activity Prog 11	12,252	0.0%	13,173	0.0%	13,835	0.0%
02772 Tobacco Hlth & Medid Initiative	6,369,755	1.4%	23,105,851	4.1%	13,364,441	2.2%
02785 6901-Senior Prescription Drugs	-	-	1,389,441	0.2%	2,037,846	0.3%
02789 6901-Chip/Mcha Tobacco Sett Fd	3,090,785	0.7%	5,748,288	1.0%	5,879,255	1.0%
02987 Tobacco Interest	2,317,336	0.5%	2,813,095	0.5%	2,872,336	0.5%
02989 69010-Hospital Utilization Fee	11,111,200	2.4%	17,503,843	3.1%	20,324,595	3.3%
03000 Total Federal Special Funds	332,543,225	72.9%	388,573,186	68.8%	426,529,598	69.9%
03426 Chip Program Fed	16,423,596	3.6%	26,547,593	4.7%	26,692,352	4.4%
03580 6901-93.778 - Med Adm 50%	6,277,161	1.4%	6,683,067	1.2%	6,584,276	1.1%
03582 93.778 - Med Ben 100%	33,881,359	7.4%	35,424,237	6.3%	39,841,640	6.5%
03583 93.778 - Med Ben Fmap	275,211,107	60.3%	319,072,303	56.5%	352,540,702	57.8%
03611 6901-03 Indrct Activity Prog 11	254,750	0.1%	290,457	0.1%	303,917	0.0%
03794 Samsha Grant	495,252	0.1%	555,529	0.1%	566,711	0.1%
Grand Total	\$ 456,180,930	100.0%	\$ 564,761,282	100.0%	\$ 609,880,365	100.0%

General fund is 21.9 percent of the base budget and rises each year of the 2009 biennium to 22.6 percent of the FY 2009 appropriation. General fund is used almost exclusively for state matching funds for Medicaid, except for a small amount that provides the match for the federal grant that supports development of the Children's System of Care. The federal match rate for Medicaid declines 2.15 percent from FY 2006 to FY 2009. Each 1.0 percent reduction in the federal match rate causes the state match to rise by \$3.9 million in FY 2008 and \$4.3 million in FY 2009 for services administered by this division.

General fund increases are due to Medicaid services utilization and caseload changes (\$19.6 million over the biennium) as well as federal Medicaid match rate changes (\$13.3 million over the biennium). Medicaid eligibility and access expansions add \$2.3 million and provider rate increases add \$1.3 million over the biennium.

Implementation of Medicare Part D prescription drug coverage January 1, 2006, shifted about 40.0 percent of Medicaid drug costs to Part D. Previously, state Medicaid programs had paid drug costs for persons eligible for both Medicare and Medicaid. Reimbursement (clawback) to the federal government for this cost shift adds \$15.3 million general fund over the biennium and is included in the caseload adjustments.

There are eight state special revenue sources that fund HRD, totaling \$23.7 million in the base budget and rising to \$45.3 million in FY 2009. Most of the growth - \$30.1 million over the biennium - is in the health and Medicaid initiatives account, which receives tobacco taxes and was created by citizen initiative. Funds in this account pay state Medicaid match for provider rate and direct care worker wage increases and service and eligibility expansions as well as the Big Sky Rx program, the Pharmassist program, and some matching funds for the CHIP eligibility expansion. The hospital utilization fee pays state Medicaid match to fund Medicaid payments to hospitals, rising from base budget funding of \$11.1 million to \$20.3 million in FY 2009 - an increase of \$26.7 million compared to the base doubled. Tobacco settlement funds and interest from the settlement trust total \$17.3 million over the biennium and pay most of the state match for CHIP and support Medicaid dental provider rate increases and access enhancement. Tobacco tax and settlement funding is discussed in the DPHHS agency overview.

Federal funds support 72.9 percent of base budget expenditures, declining to 69.9 percent in FY 2009. Medicaid matching funds accounted for 69.1 percent of the total division expenditures (\$315.4 million) in the base budget. Federal

Medicaid funding rises to \$398.8 million in FY 2009, but comprises a lower share of total expenditures with 65.4 percent in FY 2009. The change in federal match rate and growth in state special revenue funds and CHIP federal grant funds lowers federal Medicaid funding as a percent of total funds.

CHIP federal grant funding provided about 3.6 percent or \$16.4 million in the base budget, rising to \$26.7 million and 4.4 percent of total funding in FY 2009. A grant from the federal Substance Abuse and Mental Health Services Administration (SAMHSA) for the development of a children's mental health system of care and federal indirect funds provide \$0.5 million each, rising slightly in the 2009 biennium.

Program Reorganization

Children's Special Health Services was transferred from HRD to the Public Health and Safety Division, which is reflected in the difference in grant costs between biennia. Children's Special Health Services provides specialty clinics for children with metabolic disorders and other medical conditions such as cleft palate. The reorganization transferred 4.64 FTE and about \$0.7 million per year.

HRD Biennial Budget Comparison

Figure 43 shows the 2007 biennium budget compared to the 2009 biennium appropriation. The 2007 biennial amounts in Figure 42 include a \$2.3 million general fund supplemental appropriation authorized in HB 3 of the 2007 regular session for higher services costs.

The appropriation increase between the two biennia is due almost entirely to higher benefits costs. As noted previously, service utilization increases, eligibility and services expansions, as well as provider rate and direct care worker wage increases drive the difference.

Personal services costs show a \$2.2 million increase, due to the 2009 biennium pay plan, annualization of FY 2007 pay plan increases, fully funding positions that were vacant part of all of FY 2006 due to new program start up, and 6.00 new FTE for CHIP administration (5.00 FTE) and a premium assistance program (1.00 FTE).

Operating cost reductions are due to delayed program start ups in FY 2006 and to lower operational costs for Big Sky Rx in the 2009 biennium. Grant reductions are due to transfer of the children's special services program to the Public Health and Safety Division.

General fund changes are partially due to the reduction in federal match rate, which was also a factor in the 2007 biennium supplemental appropriation. State special revenue increases are due to continuation of the hospital utilization fee, eligibility increases and administrative cost increases for CHIP, expected enrollment growth in Big Sky Rx, provider rate and direct care worker wage appropriations, and implementation of the Pharmassist program.

Federal funding increases are due to Medicaid caseload and eligibility expansions, eligibility increases and administrative cost increases for CHIP, and provider rate and direct care worker wage appropriations. Federal funding increases are partially offset by the expected reductions in federal Medicaid match rate.

Figure 43
2007 Biennium Compared to 2009 Biennium
Health Resources Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Change
FTE	81.00	87.00		6.00	
Personal Services	\$7,289,026	\$9,533,252	0.8%	\$2,244,226	1.2%
Operating	21,549,166	19,424,385	1.7%	(2,124,781)	-1.2%
Equipment	0	0	0.0%	0	0.0%
Grants	1,493,358	378,556	0.0%	(1,114,802)	-0.6%
Benefits/Claims	964,648,625	1,145,300,890	97.5%	180,652,265	100.6%
Debt Service	4,564	4,564	0.0%	0	0.0%
Total Costs	\$994,984,739	\$1,174,641,647	100.0%	\$179,656,908	100%
General Fund	\$207,017,704	\$262,785,870	22.4%	\$55,768,166	31.0%
State Special	64,465,018	96,752,993	8.2%	32,287,975	18.0%
Federal Funds	723,502,017	815,102,784	69.4%	91,600,767	51.0%
Total Funds	\$994,984,739	\$1,174,641,647	100.0%	\$179,656,908	100%
Percent Increase			18.1%		

*2007 biennium general fund and benefits costs include \$2,330,043 for a supplemental appropriation authorized by HB 3.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions in the sub-program sections that follow.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,058,721					1,070,199	
Vacancy Savings				(172,693)					(173,153)	
Inflation/Deflation				6,122					7,029	
Fixed Costs				25,699					34,613	
Total Statewide Present Law Adjustments				\$917,849					\$938,688	
DP 6015 - State Motor Pool Change	0.00	(136)	(124)	(218)	(478)	0.00	(135)	(124)	(217)	(476)
DP 11001 - Medicaid Caseload	0.00	4,903,805	0	11,635,744	16,539,549	0.00	11,934,305	0	26,843,209	38,777,514
DP 11002 - Medicaid Caseload - Children's Mental Health	0.00	2,819,972	0	6,163,693	8,983,665	0.00	4,501,736	0	9,794,029	14,295,765
DP 11003 - Medicare Buy - In Caseload	0.00	926,987	0	2,026,142	2,953,129	0.00	1,653,941	0	3,598,334	5,252,275
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	143,892	0	512,250	656,142	0.00	267,214	0	941,352	1,208,566
DP 11005 - FMAP MATCH Rate for FY2008/FY2009	0.00	7,070,145	0	(7,070,145)	0	0.00	7,411,883	0	(7,411,883)	0
DP 11006 - CHIP FMAP Match Rate	0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)	0
DP 11007 - Medicaid Tobacco Portion -I-149	0.00	(200,000)	2,951,188	6,013,349	8,764,537	0.00	(200,000)	2,951,188	5,985,517	8,736,705
DP 11008 - Big Sky Rx Base Adjustment	0.00	0	9,856,620	0	9,856,620	0.00	0	(68,300)	0	(68,300)
DP 11009 - CHIP Enrollment	0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929	3,137,449
DP 11010 - Indian Health Services Caseload	0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,281
DP 11018 - Pharmassist Program	0.00	0	362,071	0	362,071	0.00	0	334,052	0	334,052
DP 11025 - Rural Health & Fed Qualified Health Centers	0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,427
DP 11028 - Phased-down State Contribution Adjustment	0.00	6,984,448	0	0	6,984,448	0.00	8,317,885	0	0	8,317,885
DP 11031 - CMH - Direct Care Wage Biennial	0.00	0	99,202	(99,202)	0	0.00	0	99,202	(99,202)	0
DP 11040 - Hospital Cost Reports	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11609 - Accept LFD Funding - Present Law Adjustments	0.00	(86,410)	(316,058)	402,468	0	0.00	(91,458)	(409,231)	500,689	0
Total Other Present Law Adjustments										
	0.00	\$22,497,438	\$13,877,348	\$23,885,747	\$60,260,533	0.00	\$33,809,468	\$3,781,163	\$49,114,512	\$86,705,143
Grand Total All Present Law Adjustments				\$61,178,382						\$87,643,831

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
11	0.00	76,179	25,330	112,833	214,342	0.00	151,673	47,872	225,671	425,216
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
11	0.00	2,297	442	2,394	5,133	0.00	1,907	461	2,478	4,846
DP 11011 - Dental Access										
11	0.00	400,000	495,759	2,087,370	2,983,129	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee - Requires Legislation (Requires Legislation)										
11	0.00	0	6,392,643	11,617,166	18,009,809	0.00	0	9,213,395	17,578,124	26,791,519
DP 11013 - CHIP Self Administration										
11	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11016 - Deficit Reduction Act Grant										
11	0.00	301,381	0	301,381	602,762	0.00	0	0	0	0
DP 11017 - Prescription Drug Discount Program - Restricted										
11	0.00	0	1,389,441	0	1,389,441	0.00	0	2,037,846	0	2,037,846
DP 11038 - Family Planning Waiver Implementation										
11	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases										
11	0.00	0	1,620,277	3,541,486	5,161,763	0.00	1,222,681	1,646,566	7,161,058	10,030,305
DP 11601 - Direct Care Worker Wage Increase - Restricted										
11	0.00	18,036	300,000	695,142	1,013,178	0.00	19,050	300,000	694,128	1,013,178
DP 11604 - Prescription Drug Review										
11	0.00	(40,975)	0	(59,025)	(100,000)	0.00	(41,225)	0	(58,775)	(100,000)
DP 11605 - Raise CHIP Eligibility										
11	0.00	0	877,725	3,124,667	4,002,392	0.00	0	934,920	3,293,573	4,228,493
DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150%										
11	0.00	0	943,117	2,061,397	3,004,514	0.00	0	1,216,532	2,646,701	3,863,233
DP 11607 - Revise Medically Needy Income Level										
11	0.00	371,647	0	1,092,864	1,464,511	0.00	743,295	0	2,175,611	2,918,906
DP 11608 - Equalize Campus Based Rates - Restricted										
11	0.00	23,785	0	69,943	93,728	0.00	54,261	0	159,558	213,819
DP 11609 - Physician Rate Increase - Restricted										
11	0.00	0	0	0	0	0.00	520,306	0	1,522,928	2,043,234
DP 11610 - Expand CHIP Dental Benefit - HB 198										
11	0.00	100,000	0	355,997	455,997	0.00	100,000	0	352,284	452,284
DP 11901 - System of Care Sustainability										
11	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
Total	6.00	\$1,972,294	\$13,281,154	\$32,148,522	\$47,401,970	6.00	\$3,891,264	\$17,199,161	\$44,965,179	\$66,055,604

Language

The legislature approved the following language.

“Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers to \$8.50 an hour and related benefits, and the remaining balance may be used only to raise wages of all direct care workers. The department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted.

Funds in Provider Rate Increase may be used only to raise provider rates by 2.5% in fiscal year 2008 and 2.5% in fiscal year 2009.

Funds in Medicaid Eligibility for Pregnant Women to 150% may be used only to provide medicaid services for infants up to 1 year of age and for pregnant women with incomes between 133% and 150% of the federal poverty index.

Revise Medically Needy Income Level may be used only to increase the amount of income that is disregarded in determining eligibility for medicaid for the medically needy category of eligibility.

Raise Physician Reimbursement may be used only to increase medicaid rates paid for physician services.

Funds in Equalize Campus-Based Rates may be used only to raise medicaid rates for campus-based therapeutic youth group home providers as long as that level of care continues. Otherwise, the funds may be used to raise medicaid rates for therapeutic group home services.

Big Sky Rx Premium Assistance may be used only to pay all or a portion of the monthly premium payment for part d drug assistance for low-income persons who are eligible for medicare as allowed by 53-6-1201(3)(b)."

The Governor vetoed the following language.

"Included in Health Resources Division Administration/Reporting is \$200 in general fund money for a semi-annual report to the legislative finance committee and the interim committee on children and families for the following:

- (1) progress towards the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Health Resources Division Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates."

Sub-Program Details

MEDICAID 01

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	40.00	0.00	1.00	41.00	0.00	1.00	41.00	41.00
Personal Services	1,866,334	322,251	254,822	2,443,407	328,518	465,454	2,660,306	5,103,713
Operating Expenses	6,119,087	(654,646)	306,246	5,770,687	(610,688)	304,946	5,813,345	11,584,032
Benefits & Claims	365,032,200	37,339,671	31,693,489	434,065,360	68,390,523	48,262,520	481,685,243	915,750,603
Total Costs	\$373,017,621	\$37,007,276	\$32,254,557	\$442,279,454	\$68,108,353	\$49,032,920	\$490,158,894	\$932,438,348
General Fund	82,508,747	18,889,352	1,157,445	102,555,544	28,471,979	2,962,379	113,943,105	216,498,649
State/Other Special	17,568,050	2,243,452	8,981,532	28,793,034	2,150,394	12,188,674	31,907,118	60,700,152
Federal Special	272,940,824	15,874,472	22,115,580	310,930,876	37,485,980	33,881,867	344,308,671	655,239,547
Total Funds	\$373,017,621	\$37,007,276	\$32,254,557	\$442,279,454	\$68,108,353	\$49,032,920	\$490,158,894	\$932,438,348

Medicaid services managed by HRD are nearly one-third of the \$3.1 billion DPHHS 2009 biennium appropriation. The Medicaid services administered by HRD are commonly referred to as "state plan services". Once a state opts to administer Medicaid it must submit its plan for federal review and approval. The plan must include certain mandatory services and can include optional services. Examples of mandatory services are hospital and physician services, and durable medical equipment. Examples of optional services include pharmacy and some outpatient services, such as physical, speech, and occupational services. The Montana Medicaid state plan includes nearly all optional services. Once a person is eligible for Medicaid, they are eligible for any state plan service if it is medically necessary. A waiver of federal regulations is necessary to limit or reduce the services a Medicaid eligible person can receive. DPHHS has waivers that allow it to reduce the service package to a few specified populations, including able-bodied parents in low-income families.

Total Medicaid state plan costs are driven by the number of persons eligible, the number of persons accessing services, the quantity of services utilized, and the cost of services. Although Montana funds a wide array of services, its eligibility levels are at or near federal minimums and Medicaid reimbursements across provider classes are lower than comparable Medicare service rates.

State plan services are the dominant component of the division and the department budgets nearing \$1.0 billion in the 2009 biennium appropriation. State plan services are a significant component of HB 2 as well. In FY 2006 state plan services were about 8.0 percent of total HB 2 expenditures, including \$79.8 million general fund and \$17.6 million state special revenue. In FY 2009, Medicaid state plan services rise to 12.2 percent of total HB 2 appropriations, including 6.8 percent of the total general fund and 19.7 percent of total federal fund appropriations.

Figure 44 shows the appropriation for each major Medicaid service administered by HRD, except children's mental health services, which is a separate program. In summary, appropriation increases over the 2009 biennium are driven by:

- Continuation of the hospital bed utilization fee (\$120.2 million state special revenue and federal funds)
- Increases in service utilization and some growth in the number of persons eligible (\$19.6 million general fund, \$64.3 million total funds)
- Initiatives to expand Medicaid eligibility in the 2009 biennium add \$23.1 million total funds, including \$2.3 million general fund and \$3.2 million in health and Medicaid initiatives state special revenue to:
 - Raise income eligibility from 133 percent to 150 percent of the federal poverty level for pregnant women and children under 1 year old

- Raise provider rates for dental services and directly contract for provision of dental services if viable
 - Implement a family planning waiver that allows persons with incomes up to 185 percent of the federal poverty level to receive certain health services and contraceptives
 - Allow disabled and elderly persons in the community to retain more of their income and qualify for Medicaid
- A drop in the federal match rate from 70.66 percent in FY 2006 to 68.61 percent in FY 2008 and 68.51 percent in FY 2009 (\$10.9 million general fund increase and a like reduction in federal funds)
 - 2009 biennium provider rate increases that add \$12.4 million total funds, including \$2.2 million in tobacco tax state special revenue and \$1.3 million general fund
 - Payment of the state clawback due to implementation of Medicare Part D prescription drug coverage totals \$15.3 million general fund
 - Annualization of an eligibility expansion (family asset limit raised from \$3,000 to \$15,000 for Medicaid eligibility for children) and provider rate increases implemented in FY 2007 adds \$15.0 million total funds, including a \$0.4 million general fund reduction

Figure 44
2009 Biennium Appropriation - HRD Medicaid Services

Medicaid Services	FY 2008 Legislative Appropriation				FY 2009 Legislative Appropriation				% of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
Hospital Services	\$37,797,005	\$861,469	\$91,676,318	\$130,334,792	\$37,797,005	\$861,469	\$91,676,318	\$130,334,792	59.8%
Hospital Bed Tax Base Expenditures	0	11,111,200	26,605,026	37,716,226	0	11,111,200	26,605,026	37,716,226	17.3%
NP 11012 Hospital Utilization Fee	0	6,392,643	11,617,166	18,009,809	0	9,213,395	17,578,124	26,791,519	12.3%
PL 11001 Medicaid Caseload	2,544,396	0	5,561,358	8,105,754	6,031,838	0	13,122,936	19,154,774	8.8%
PL 11005 FMAP Match Rate for 08/09	2,669,798	0	(2,669,798)	0	2,800,032	0	(2,800,032)	0	0.0%
PL 11007 Medicaid Tobacco Portion 1-149	0	290,435	634,812	925,247	0	290,435	631,874	922,309	0.4%
PL 11025 Rural Health & FQHCs	72,361	0	158,162	230,523	158,529	0	344,898	503,427	0.2%
NP 11501 Provider Rate Increases	0	407,451	890,577	1,298,028	315,872	402,755	1,800,790	2,519,417	1.2%
Subtotal Hospital Services	\$43,083,560	\$19,063,198	\$134,473,621	\$196,620,379	\$47,103,276	\$21,879,254	\$148,959,934	\$217,942,464	100.0%
Pharmacy Services	\$13,919,401	\$0	\$34,067,100	\$47,986,501	\$13,919,401	\$0	\$34,067,100	\$47,986,501	94.8%
PL 11001 Medicaid Caseload	(704,921)	0	(1,540,765)	(2,245,686)	845,606	0	1,839,710	2,685,316	5.3%
PL 11005 FMAP Match Rate for 08/09	1,029,028	0	(1,029,028)	0	1,079,225	0	(1,079,225)	0	0.0%
NP 11501 Provider Rate Increases	0	31,427	68,691	100,118	12,571	46,930	138,896	198,397	0.4%
NP 11604 Pharmacy Review	(78,475)	0	(171,525)	(250,000)	(78,725)	0	(171,275)	(250,000)	-0.5%
Subtotal Pharmacy Services	\$14,165,033	\$31,427	\$31,394,473	\$45,590,933	\$15,778,078	\$46,930	\$34,795,206	\$50,620,214	100.0%
Acute Services Base Expenditures	\$10,211,595	\$3,043,658	\$19,607,087	\$32,862,340	\$10,211,595	\$3,043,658	\$19,607,087	\$32,862,340	65.3%
PL 11001 Medicaid Caseload	611,939	0	1,337,533	1,949,472	1,181,905	0	2,571,365	3,753,270	7.5%
PL 11005 FMAP Match Rate for 08/09	509,391	0	(509,391)	0	537,179	0	(537,179)	0	0.0%
PL 11007 Medicaid Tobacco Portion 1-149	0	93,597	204,578	298,175	0	93,597	203,631	297,228	0.6%
NP 11011 Dental Access	400,000	495,759	2,087,370	2,983,129	400,000	555,000	2,077,709	3,032,709	6.0%
NP 11501 Provider Rate Increases	0	251,736	550,227	801,963	181,747	266,875	1,112,585	1,561,207	3.1%
NP 11606 Raise Eligibility - Pregnant Wome	0	943,117	2,061,397	3,004,514	0	1,216,532	2,646,701	3,863,233	5.1%
NP 11607 Revise Med. Needy Income Level	371,647	0	1,092,864	1,464,511	743,295	0	2,175,611	2,918,906	3.8%
NP 11609 Physician Rate Increase	0	0	0	0	520,306	0	1,522,928	2,043,234	2.7%
Subtotal Acute Services	\$12,104,572	\$4,827,867	\$26,431,665	\$43,364,104	\$13,776,027	\$5,175,662	\$31,380,438	\$50,332,127	100.0%
Managed Care Services Base Expenditures	\$12,344,957	\$2,539,471	\$36,786,754	\$51,671,182	\$12,344,957	\$2,539,471	\$36,786,754	\$51,671,182	68.0%
Targeted Case Management	89,793	0	217,026	306,819	89,793	0	217,026	306,819	0.4%
PL 11001 Medicaid Caseload	2,452,391	0	5,360,258	7,812,649	3,874,956	0	8,430,399	12,305,355	16.2%
PL 11005 FMAP Match Rate for 08/09	548,051	0	(548,051)	0	566,015	0	(566,015)	0	0.0%
PL 11007 Medicaid Tobacco Portion 1-149	(200,000)	2,175,128	4,317,092	6,292,220	(200,000)	2,175,128	4,297,111	6,272,239	8.3%
NP 11038 Family Planning Waiver OTO	215,001	0	2,684,999	2,900,000	215,001	0	2,684,999	2,900,000	3.8%
NP 11501 Provider Rate Increases	0	413,999	904,890	1,318,889	313,124	419,754	1,829,732	2,562,610	3.4%
Subtotal Managed Care Services	\$15,450,193	\$5,128,598	\$49,722,968	\$70,301,759	\$17,203,846	\$5,134,353	\$53,680,006	\$76,018,205	100.0%
Medicare Buy-In	\$5,090,838	\$0	\$12,873,129	\$17,963,967	\$5,090,838	\$0	\$12,873,129	\$17,963,967	77.4%
DP 11003 Caseload Increase	926,987	0	2,026,142	2,953,129	1,653,941	0	3,598,334	5,252,275	22.6%
PL 11005 FMAP Match Rate for 08/09	548,051	0	(548,051)	0	566,015	0	(566,015)	0	0.0%
Subtotal Medicare Buy-In	\$6,565,876	\$0	\$14,351,220	\$20,917,096	\$7,310,794	\$0	\$15,905,448	\$23,216,242	100.0%
Phased Down State Contribution	\$6,984,448	\$0	\$0	\$6,984,448	\$8,317,885	\$0	\$0	\$8,317,885	16.5%
Breast and Cervical Cancer	\$647,630	\$19,628	\$2,362,106	\$3,029,364	\$790,551	\$19,100	\$2,830,897	\$3,640,548	100.0%
Indian Health Services	\$0	\$0	\$35,424,237	\$35,424,237	\$0	\$0	\$39,841,640	\$39,841,640	100.0%
School Based Services	\$0	\$0	\$10,915,680	\$10,915,680	\$0	\$0	\$10,877,119	\$10,877,119	92.5%
PL 11001 Medicaid Caseload	0	0	917,360	917,360	0	0	878,799	878,799	7.5%
Subtotal School Based Services	\$7,632,078	\$0	\$11,833,040	\$11,833,040	\$0	\$0	\$11,755,918	\$11,755,918	100.0%
Total by Component									
Base/Some Caseload Increases	\$80,101,219	\$6,464,226	\$243,929,437	\$330,494,882	\$80,244,140	\$6,463,698	\$248,777,070	\$335,484,908	69.6%
Hospital Utilization Fee	0	17,503,843	38,222,192	55,726,035	0	20,324,595	44,183,150	64,507,745	13.4%
Caseload/Service Utilization Growth	5,903,153	0	13,820,048	19,723,201	13,746,776	0	30,786,440	44,533,216	9.2%
Expansions/Access	986,648	1,438,876	7,926,630	10,352,154	1,358,296	1,771,532	9,585,020	12,714,848	2.6%
FMAP Federal Match Rate Reduction	5,304,319	0	(5,304,319)	0	5,548,466	0	(5,548,466)	0	0.0%
Provider Rate Increases	0	1,104,613	2,414,385	3,518,998	1,343,620	1,136,314	6,404,931	8,884,865	1.8%
Phased Down Contribution - Clawback	6,984,448	0	0	6,984,448	8,317,885	0	0	8,317,885	1.7%
Annualization of 2007 Biennium Expansions	(200,000)	2,559,160	5,156,482	7,515,642	(200,000)	2,559,160	5,132,616	7,491,776	1.6%
Efficiencies/Cost Saving Actions	(78,475)	0	(171,525)	(250,000)	(78,725)	0	(171,275)	(250,000)	-0.1%
Gross Total	\$99,001,312	\$29,070,718	\$305,993,330	\$434,065,360	\$110,280,458	\$32,255,299	\$339,149,486	\$481,685,243	100.0%
Percent of Total	22.8%	6.7%	70.5%	100.0%	22.9%	6.7%	70.4%	100.0%	

Hospital services are the largest share of the Medicaid services appropriation accounting for almost half of total 2009 biennium budget. Managed care services account for about 15.8 percent of the total, while pharmacy and acute care services are each about 10 percent of the total.

The legislature, at its own initiative, added funds to contract for review of prescription drugs by the Medicaid program with the expectation that there would be savings that would offset the increased administrative costs. The net cost reduction is about \$82,000 general fund over the biennium after netting the increase in administrative costs and reduction in services costs as shown in Figure 44.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				413,439						419,969
Vacancy Savings				(91,188)						(91,451)
Inflation/Deflation				2,765						3,589
Fixed Costs				10,427						14,998
Total Statewide Present Law Adjustments				\$335,443						\$347,105
DP 6015 - State Motor Pool Change	0.00	(136)	(124)	(218)	(478)	0.00	(135)	(124)	(217)	(476)
DP 11001 - Medicaid Caseload	0.00	4,903,805	0	11,635,744	16,539,549	0.00	11,934,305	0	26,843,209	38,777,514
DP 11003 - Medicare Buy - In Caseload	0.00	926,987	0	2,026,142	2,953,129	0.00	1,653,941	0	3,598,334	5,252,275
DP 11004 - Medicaid Breast & Cervical Cancer	0.00	143,892	0	512,250	656,142	0.00	267,214	0	941,352	1,208,566
DP 11005 - FMAP MATCH Rate for FY2008/FY2009	0.00	5,852,087	0	(5,852,087)	0	0.00	6,134,407	0	(6,134,407)	0
DP 11007 - Medicaid Tobacco Portion -I-149	0.00	(200,000)	2,559,160	5,156,482	7,515,642	0.00	(200,000)	2,559,160	5,132,616	7,491,776
DP 11010 - Indian Health Services Caseload	0.00	0	0	1,542,878	1,542,878	0.00	0	0	5,960,281	5,960,281
DP 11025 - Rural Health & Fed Qualified Health Centers	0.00	72,361	0	158,162	230,523	0.00	158,529	0	344,898	503,427
DP 11028 - Phased-down State Contribution Adjustment	0.00	6,984,448	0	0	6,984,448	0.00	8,317,885	0	0	8,317,885
DP 11040 - Hospital Cost Reports	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11609 - Accept LFD Funding - Present Law Adjustments	0.00	(86,410)	(316,058)	402,468	0	0.00	(91,458)	(409,231)	500,689	0
Total Other Present Law Adjustments										
	0.00	\$18,722,034	\$2,242,978	\$15,706,821	\$36,671,833	0.00	\$28,299,688	\$2,149,805	\$37,311,755	\$67,761,248
Grand Total All Present Law Adjustments				\$37,007,276						\$68,108,353

DP 6015 - State Motor Pool Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 11001 - Medicaid Caseload - This appropriation adds \$55.3 million (\$16.8 million in general fund) over the biennium for increased Medicaid costs for several state plan Medicaid benefits. This change is about \$25.5 million lower than the initial executive budget request. Medicaid cost estimates were updated in February 2007 and declined compared to November 2006 estimates because of reduction in the number of persons eligible for services and updated claims data.

DP 11003 - Medicare Buy - In Caseload - The legislature added \$8.2 million total funds over the biennium including \$2.6 million general fund to pay expected increases in premiums for Medicare Part A and Part B as projected by the department. DPHHS pays Medicare Part A and Part B premiums for persons eligible for both Medicare and Medicaid if it would lower Medicaid costs. Medicare covers the cost of most services for the individual leaving Medicaid liable for non-Medicare covered services, and for co-insurance and deductibles related to services utilized.

DP 11004 - Medicaid Breast & Cervical Cancer - The legislature appropriated \$1.9 million for the biennium, including \$0.4 million general fund to provide continued funding for the Breast and Cervical Cancer Treatment program for those individuals determined to be Medicaid eligible. Costs rise due to estimated growth in service utilization and the number of persons eligible, based on historic cost trends. The Medicaid program provides health care coverage and reimbursement to health care providers for those individuals screened through the Montana Breast and Cervical Health (MBCH) program who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200 percent of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment.

DP 11005 - FMAP Match Rate for FY2008/FY2009 - The legislature appropriated \$14.5 million in general fund with a like reduction in federal funds due to the federal Medicaid match rate (FMAP) reduction. Most of the change is for state plan services, which rise by \$12.0 million general fund with a like reduction in federal funds. This adjustment also adds \$2.5 million in general fund for children's mental health services and reduces federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11007 - Medicaid Tobacco Portion -I-149 - The legislature reduced general fund by \$0.2 million each year and increased health and Medicaid initiatives state special funds \$3.0 million each year to annualize eligibility increases and fully fund provider rate increases implemented in FY 2007. State special revenue and a small amount of general fund were appropriated by the 2005 Legislature for Medicaid provider rate increases in FY 2006. Beginning in FY 2007, the legislature appropriated health and Medicaid initiative funds for the state Medicaid match to increase eligibility for children by increasing the family asset limit from \$3,000 to \$15,000.

DP 11010 - Indian Health Services Caseload - The legislature added \$7.5 million in federal funds for the biennium. The Montana Indian Health Service is making a concerted effort to identify all Medicaid eligible persons who are also Indian Health Service recipients and to bill appropriately for services. This program has had substantial growth in the past few years and is expected to continue to grow at 8 percent per year through the next biennium. This program is fully funded from federal funds.

DP 11025 - Rural Health & Federally Qualified Health Centers - Rural health clinic and Federally Qualified Health Center services are required Medicaid services. The legislature appropriated \$733,950 over the biennium for increased service costs and utilization. These facilities are paid an all-inclusive prospective payment amount per patient visit. The per visit payment amounts are increased each year based on the Medicare Economic Index (due to Benefit Improvement and Protection Act (BIPA)). The three most recent annual increases have been estimated at 2.6 percent in FY 2007, 3.0 percent in FY 2008, and 2.9 percent in FY 2009.

DP 11028 - Phased-down State Contribution Adjustment - The legislature appropriated \$15.3 million general fund over the biennium for the "clawback" payment required by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA). States must pay a monthly fee for those individuals whose Medicaid drug coverage was assumed by Medicare Part D.

The "clawback" payment is adjusted each year based on several variables including:

- The number of persons eligible for both Medicare and Medicaid in Montana
- The base level per person payment calculated from 2003
- An inflation factor based on the National Health Index
- And a gradual reduction of the total amount owed from 90 percent to 75 percent over a period of time

DP 11040 - Hospital Cost Reports - The legislature appropriated \$500,000 over the biennium for hospital costs reports funded equally from general fund and federal funds. The reports are required by law and are used for calculating items such as hospital settlements. The hospital cost reports were provided by Montana Blue Cross Blue Shield (BCBS) until October 2006, when the state contracted with a new vender.

DP 11609 - Accept LFD Funding - Present Law Adjustments - The legislature implemented the LFD estimate for funding for present law statewide adjustments, which lowered general fund by \$177,868 and state special revenue by \$725,289, and increased federal funds by \$903,157 over the biennium. This change was based on funding operating costs for each program at the FY 2006 level adjusted for specific program match rates.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
01	0.00	76,179	25,330	112,833	214,342	0.00	151,673	47,872	225,671	425,216
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
01	0.00	2,297	442	2,394	5,133	0.00	1,907	461	2,478	4,846
DP 11011 - Dental Access										
01	0.00	400,000	495,759	2,087,370	2,983,129	0.00	400,000	555,000	2,077,709	3,032,709
DP 11012 - Hospital Utilization Fee - Requires Legislation (Requires Legislation)										
01	0.00	0	6,392,643	11,617,166	18,009,809	0.00	0	9,213,395	17,578,124	26,791,519
DP 11038 - Family Planning Waiver Implementation										
01	1.00	348,297	0	2,743,296	3,091,593	1.00	347,669	0	2,742,669	3,090,338
DP 11501 - Provider Rate Increases										
01	0.00	0	1,124,241	2,457,285	3,581,526	0.00	838,754	1,155,414	4,968,751	6,962,919
DP 11604 - Prescription Drug Review										
01	0.00	(40,975)	0	(59,025)	(100,000)	0.00	(41,225)	0	(58,775)	(100,000)
DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150%										
01	0.00	0	943,117	2,061,397	3,004,514	0.00	0	1,216,532	2,646,701	3,863,233
DP 11607 - Revise Medically Needy Income Level										
01	0.00	371,647	0	1,092,864	1,464,511	0.00	743,295	0	2,175,611	2,918,906
DP 11609 - Physician Rate Increase - Restricted										
01	0.00	0	0	0	0	0.00	520,306	0	1,522,928	2,043,234
Total	1.00	\$1,157,445	\$8,981,532	\$22,115,580	\$32,254,557	1.00	\$2,962,379	\$12,188,674	\$33,881,867	\$49,032,920

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent pay increase in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of funds for pay plan costs.

The total division pay plan allocation is included in DP 6013. It will be allocated among subprograms during the 2009 biennium.

DP 6014 - Retirement Employer Contributions - HB 63 and HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

The total division pay plan allocation is included in DP 6013. It will be allocated among subprograms during the 2009 biennium.

DP 11011 - Dental Access - The legislature approved the executive request for \$6.1 million over the biennium, including \$0.8 million general fund and \$1.1 million of tobacco settlement trust fund interest state special revenue, to enhance access to dental services for both adults and children in Medicaid, by raising reimbursement rates to 85 percent of billed charges for adults (age 18 and over) and children (age 17 and under). Current reimbursement is 58 percent of billed

charges for adult services and 64 percent of billed charges for children's services. The appropriation assumes a 4 percent increase in utilization.

An appropriation of \$1.1 million over the biennium from the tobacco settlement trust fund will allow the department to support community health centers or other providers to contract with dentists to provide dental services to low-income persons, including Medicaid beneficiaries.

DP 11012 - Hospital Utilization Fee – SB 525 - The legislature passed SB 525 to continue and raise the hospital utilization fee from \$43 per day in 2008 to \$50 per day in 2010 and beyond and appropriated an additional \$44.8 million total funds, including \$15.6 million state special revenue from the hospital bed tax over the biennium. This appropriation also makes adjustments for the reduction in the federal Medicaid match rate.

FY 2006 expenditures were \$37.7 million. This fee is used as state Medicaid match to draw down federal Medicaid matching funds and increase Medicaid reimbursement for hospitals.

The hospital tax is expected to generate \$55.1 million including federal funds in FY 2008, for a 36 percent increase in hospital reimbursement. The following year the tax and federal funds are expected to total \$62.3 million and would provide a 13.6 percent increase in FY 2009.

SB 525 included a provision that made the hospital utilization fee ongoing unless a change in federal regulations would not allow provider taxes to be levied for state Medicaid matching funds.

DP 11038 - Family Planning Waiver Implementation - The legislature added \$0.7 million general fund and \$5.4 million federal funds for the biennium for the first two years of a five year family planning waiver. The program is expected to start July 2007 and will provide reproductive health services estimated at approximately \$480 per year to about 6,000 low-income women with incomes below 185 of the federal poverty level who are of child-bearing age. The proposal assumes that there would be future Medicaid savings, but that costs would increase in the first two years of the waiver. The appropriation is for the 2009 biennium only.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: This request would fund implementation of the family planning waiver to provide a limited array of family planning benefits, primarily contraceptives to about 6,000 low-income women.

Goals:

- Reduce the number of unplanned/unwanted pregnancies through coverage of family planning services for women at or below 185 percent of the federal poverty level in year 3, 4, and 5 of the waiver
- Improve access to and use of family planning services in all 5 years of the waiver
- Decrease the number of Medicaid paid deliveries in years 3, 4, and 5 of the waiver

Performance Criteria:

- Number of women receiving family planning services under the Montana Family Planning Project being between 6,000 and 10,000 during the first 3 years
- Number of live births for Medicaid and Medicaid eligible populations
- Costs of the family planning project itself

Evaluations of the capacity for the Montana Family Planning Project to increase enrollment shall occur every six months.

Milestones: After federal approval of the Montana Family Planning Project:

- The eligibility determination specialist would be hired within two months
- Initial education of family planning services providers would take place within three months

- An ongoing statewide public information outreach campaign to initiate enrollment of recipients would occur within three months

Program enrollment capacity and progress toward goals would be evaluated at intervals delineated in the waiver application.

FTE: Funding for 1.00 grade 12 FTE is requested for eligibility determination.

Funding: Program services are funded 10 percent state general fund and 90 percent federal Medicaid funds. Administrative costs are funded equally between the state and federal government.

Obstacles: Potential obstacles include:

- Lack of recipient enrollment, which would be mitigated by increasing outreach efforts
- Resistance from providers, which would be mitigated by increasing provider education efforts
- Denial of waiver by the Centers for Medicare and Medicaid Services, which DPHHS would attempt to remedy by working with CMS to modify the waiver in compliance to its suggestions

Risk: If the Montana Family Planning Project is not adopted, the risk is that women with incomes under 185 percent of the federal poverty would continue to have unplanned/unwanted pregnancies, contributing to high expenditures for pregnancies, deliveries and associated costs.

DP 11501 - Provider Rate Increases - The legislature appropriated \$15.2 million, including \$4.9 million from the health and Medicaid initiatives state special revenue account, for a 2.5 percent provider rate increase each year of the biennium. Implementation of the rate increase is delayed in FY 2008, which yields an annual increase of 2.5 percent in FY 2008 with an additional 1.86 percent increase in FY 2009. In comparison, the executive budget included a rate increase of 2.5 percent for FY 2008 only. Part of the rate increase is allocated to state plan services (\$10.5 million) and the remainder is allocated to children's mental health services (\$4.7 million).

DP 11604 - Prescription Drug Review - The legislature added \$0.3 million total funds for contracted review of prescription drugs purchased by the Medicaid program with an expectation that savings will more than offset the added administrative cost. The net result is a general fund reduction of about \$82,000 over the biennium.

DP 11606 - Raise Pregnant Women Medicaid Eligibility to 150% - The legislature appropriated funds to raise Medicaid financial eligibility for infants up to 1 year old and for pregnant women from 133 percent of the federal poverty level to 150 percent (\$30,975 for a family of 4 in 2007). Funding totals \$4.7 million over the biennium, including \$2.2 million of health and Medicaid initiatives account state special revenue. The cost estimates assume that 248 pregnant women and 199 infants will receive services, with an annual cost growth factor of 6.0 percent.

This appropriation was added with the expectation that an expansion of prenatal care would help lower the number of low birth weight babies, premature deliveries, and other complications that could result in lower over all medical costs and better birth outcomes. This Medicaid eligibility change was a legislative initiative and not included in the executive budget request.

DP 11607 - Revise Medically Needy Income Level - The legislature added \$1.1 million general fund and \$3.3 million federal Medicaid matching funds to revise the income eligibility for persons who incur sufficient medical bills to "spend down" their income to levels that allow them to become Medicaid eligible. This category of Medicaid eligibility is called medically needy. Persons must meet all other Medicaid eligibility criteria, such as assets tests, be aged, blind or disabled, or be dependent children. Parents of dependent children cannot be eligible under the medically needy income category. This change was also a legislative initiative.

DP 11609 - Physician Rate Increase - Restricted - The legislature added \$0.5 million general fund and \$1.5 million federal Medicaid matching funds to raise physician reimbursement in FY 2009. This rate increase was a legislative initiative intended to increase access to physician services.

Sub-Program Details

CHILDREN'S HEALTH CARE RESOURCES 02

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	14.00	0.00	5.00	19.00	0.00	5.00	19.00	19.00
Personal Services	569,472	92,514	221,623	883,609	93,548	221,868	884,888	1,768,497
Operating Expenses	514,956	10,740	848,815	1,374,511	13,199	880,828	1,408,983	2,783,494
Benefits & Claims	19,549,018	3,137,449	9,025,982	31,712,449	3,137,449	9,216,112	31,902,579	63,615,028
Debt Service	2,282	0	0	2,282	0	0	2,282	4,564
Total Costs	\$20,635,728	\$3,240,703	\$10,096,420	\$33,972,851	\$3,244,196	\$10,318,808	\$34,198,732	\$68,171,583
General Fund	218,782	(218,782)	100,000	100,000	(218,782)	100,000	100,000	200,000
State/Other Special	3,993,350	1,242,752	2,114,145	7,350,247	1,286,501	2,181,489	7,461,340	14,811,587
Federal Special	16,423,596	2,216,733	7,882,275	26,522,604	2,176,477	8,037,319	26,637,392	53,159,996
Total Funds	\$20,635,728	\$3,240,703	\$10,096,420	\$33,972,851	\$3,244,196	\$10,318,808	\$34,198,732	\$68,171,583

The Children's Health Care Resources sub-program administers the Children's Health Insurance Program (CHIP). The most significant changes approved by the legislature for CHIP are:

- A legislative initiative to expand eligibility from 150 percent of the federal poverty level to 175 percent by passage and approval of SB 22
- Approval of the executive request for funding for 5.00 new FTE and operating costs for the state to assume administration of the CHIP program rather than contracted administration
- A legislative initiative creating an enhanced dental benefit limited to \$100,000 general fund each year and federal matching funds by the passage and approval of HB 198

The legislature appropriated \$4.1 million more from tobacco settlement funds and interest from the tobacco settlement trust fund for the CHIP program than requested by the executive. The tobacco settlement funds and trust fund interest replaced a like amount of health and Medicaid initiatives state special revenue included in the executive request. The legislature took this action in part because it believed that using health and Medicaid initiatives account funds for ongoing CHIP program expenditures did not meet the statutory criteria to use the funds to expand enrollment above the levels of enrollment that appropriations would have supported as of June 30, 2005 (53-6-1201)(3)(a), MCA) and because a staff legal opinion concluded that health and Medicaid initiatives funds could not be used for the \$1.7 million claim reserve requested by the department and approved by the legislature. Some of the health and Medicaid initiatives account funds were used for the CHIP expansion, which is the purpose allowed by statute.

Figure 45

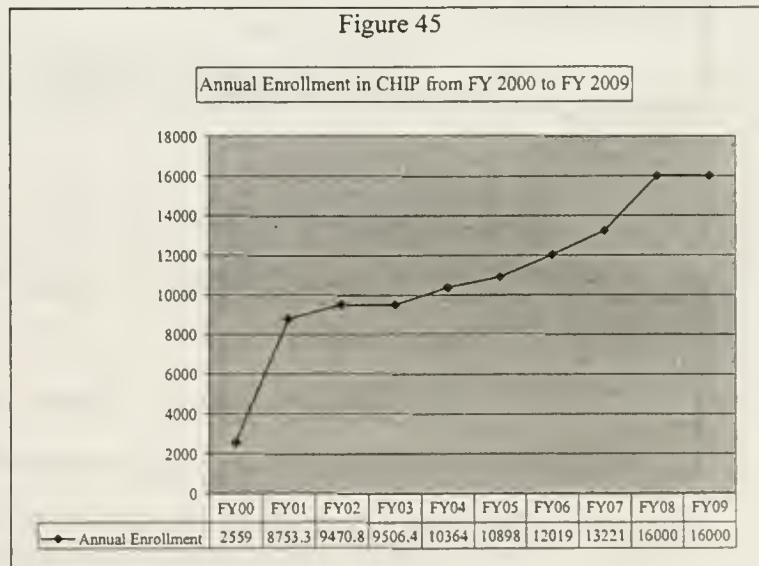


Figure 46

Federal CHIP Grant Funds Remaining at End of FY 2009
Estimated Expenditures, Appropriation, Balance Remaining

State Fiscal Year/ Federal Grant Year	Available Federal CHIP Funds	-----Estimated Expenditures/ Appropriation	Federal----- Unexpended Grant Funds
<u>State FY 2007</u>			
Federal 2005 Grant	\$8,523,971		
Federal 2006 Grant	12,558,064		
Federal 2007 Grant	<u>15,736,459</u>		
Total Federal Funds Available	\$36,818,494	\$16,744,182	\$20,074,312
<u>State FY 2008</u>			
Carry Forward	\$20,074,312		
Federal 2008 Grant*	<u>15,736,459</u>		
Total Federal Funds Available	\$35,810,771	\$26,552,604	\$9,258,167
<u>State FY 2009*</u>			
Balance Carry Forward	\$9,258,167		
Federal 2009 Grant*	<u>15,736,459</u>		
Total Federal Funds Available	\$24,994,626	\$26,637,392	(\$1,642,766)
Potential Federal Shortfall at State FY 2009 Year End			(\$1,642,766)

First Quarter Costs for FY 2010 Based on FY 2009 Appropriation \$6,659,348

*Federal reauthorization for CHIP occurs in 2008. These grant amounts may change depending on the reauthorization amounts and distribution formulas.

Figure 45 shows historic and projected CHIP enrollment. FY 2000 through FY 2006 is actual enrollment, while FY 2007 is estimated enrollment. Enrollment in FY 2008 and FY 2009 is based on the fiscal note for SB 22, which assumed that an additional 2,100 children would enroll above the level funded in the executive budget request (13,900).

The federal grant for the Montana CHIP program will be insufficient to support the level of enrollment shown in Figure 45 for the entire 2009 biennium. Figure 45 shows the carry forward federal grant amounts, the estimated grant amounts, and the HB 2 appropriations. Based on assumptions in Figure 46, DPHHS will be \$1.6 million short in federal grant authority. However, any shortfall will likely be lower than \$1.6 million as enrollment is likely to increase incrementally to reach the funded level.

Federal reauthorization of the CHIP program is expected within the next year. The legislature expected that the federal grant allocated to Montana would increase

compared to grant amounts in the first 10 years of the program. If the state does not receive additional federal grant funds, then the 2009 Legislature will be faced with a choice of directing DPHHS to lower CHIP enrollment or increasing the level of state funds to maintain enrollment.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				120,097					121,175
Vacancy Savings				(27,583)					(27,627)
Inflation/Deflation				2,543					2,570
Fixed Costs				8,197					10,629
Total Statewide Present Law Adjustments				\$103,254					\$106,747
DP 11006 - CHIP FMAP Match Rate	0.00	0	313,283	(313,283)	0	0.00	0	350,424	(350,424)
DP 11009 - CHIP Enrollment	0.00	(262,626)	611,166	2,788,909	3,137,449	0.00	(269,432)	523,952	2,882,929
Total Other Present Law Adjustments	0.00	(\$262,626)	\$924,449	\$2,475,626	\$3,137,449	0.00	(\$269,432)	\$874,376	\$2,532,505
Grand Total All Present Law Adjustments				\$3,240,703					\$3,244,196

DP 11006 - CHIP FMAP Match Rate - The legislature appropriated \$0.7 million in tobacco settlement funds over the biennium and reduced federal funds by the same amount because the federal match rate declines from 79.62 percent in the base budget year to 78.07 percent in FY 2008 and 77.89 percent in FY 2009.

DP 11009 - CHIP Enrollment - The legislature appropriated \$1.1 million state special revenue from tobacco settlement state special revenue and \$5.7 million in federal funds over the biennium to maintain enrollment in CHIP. The increase in state special revenue offsets \$0.5 million general fund. The legislature adopted the executive budget estimate for annual services cost increases of 6.0 percent from base budget costs. The executive budget was based on a monthly per child cost for health services of \$166.75 in FY 2008 and \$176.97 in FY 2009. The monthly administrative cost per child added another \$13.55 in FY 2008 and \$13.77 in FY 2009 based on assumptions used in the executive budget.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: CHIP has actively recruited over the past year and has seen a steady increase in enrollment. The CHIP program is partially funded with tobacco tax revenue from the health and Medicaid initiatives account. This decision package provides the appropriation authority for the projected cash flow in FY 2008 and FY 2009.

Goals: The goal is to increase the number of Montana children at or below 150 percent of the federal poverty level who are insured by:

- Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- Determining potential Medicaid eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance for Medicaid eligibility determination

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, and quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP has 13,291 children enrolled as of March 1, 2007.

FTE: No additional FTE are needed.

Funding: The program is funded through tobacco tax revenue deposited to the health and Medicaid initiatives account and federal grant funds.

Obstacles:

- Some Montana families may believe their children would not be eligible for CHIP
- Some Montana families may not be interested in enrolling their children in a publicly funded health insurance plan

Risks: Federal government participation (either through reductions in grant awards or matching requirements) could decline causing more costs to be absorbed by the state. This reduction could be mitigated by the authorizing statute which allows the state to adjust eligibility criteria or benefits to match the appropriation (53-4-1004(4)), MCA. CHIP is not an entitlement program.

New Proposals

New Proposals		Fiscal 2008				Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11013 - CHIP Self Administration										
02	5.00	0	1,236,420	4,401,611	5,638,031	5.00	0	1,246,569	4,391,462	5,638,031
DP 11605 - Raise CHIP Eligibility										
02	0.00	0	877,725	3,124,667	4,002,392	0.00	0	934,920	3,293,573	4,228,493
DP 11610 - Expand CHIP Dental Benefit - HB 198										
02	0.00	100,000	0	355,997	455,997	0.00	100,000	0	352,284	452,284
Total	5.00	\$100,000	\$2,114,145	\$7,882,275	\$10,096,420	5.00	\$100,000	\$2,181,489	\$8,037,319	\$10,318,808

DP 11013 - CHIP Self Administration - The legislature appropriated \$11.3 million over the biennium for 5.00 FTE and start-up costs for the department to self-administer the CHIP program. The state match is funded from tobacco settlement revenues allocated to support CHIP.

The new FTE would provide customer service, provider enrollment/support, contract, and claims monitoring, inpatient pre-certification, prior authorization, and data management. Funding is included for programming changes to the data system to accommodate self-administration. Finally, the appropriation includes a \$1.7 million reserve account to pay unanticipated, high-cost medical claims.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: HRD included language identical to the description of the proposal as the justification.

Goals: Decrease the administrative costs of providing health insurance to children enrolled in CHIP. Decrease the number of Montana children at or below 150 percent of the federal poverty level (FPL) who are uninsured by:

- o Providing information about CHIP eligibility and benefits to low income families, providers, community advocates and the public
- o Enrolling eligible children in CHIP (actual number to be based on available state and federal funding)
- o Determining Medicaid potential eligibility for children whose families apply for CHIP and forwarding the applications to local Offices of Public Assistance

Performance Criteria: CHIP monthly enrollment reports, quarterly fiscal performance reports, quarterly healthcare management (benefit utilization) reports are produced and evaluated.

Milestones: CHIP had 13,291 children enrolled as of March 1, 2007.

FTE: The decision package requests funding for 5.00 FTE to perform administrative services which are currently performed by Montana Blue Cross Blue Shield employees and to provide contract management services.

Funding: The program is funded through tobacco tax revenue deposited in the health initiatives and Medicaid account and federal grant funds.

Obstacles: Extensive work needs to be done to enroll providers, pay claims at rates equivalent to current CHIP rates, hire and train DPHHS staff, and assure continuous access to health care services for CHIP children.

Risks: Federal participation (either through reductions in grant awards or matching requirements) could possibly decline, causing more costs to be absorbed by the state. Federal funding declines can be mitigated by adjustments to eligibility criteria or benefits to match the appropriation (53-4-1004(4), MCA). CHIP is not an entitlement program.

DP 11605 - Raise CHIP Eligibility - The legislature appropriated \$8.2 million total funds to raise financial eligibility for CHIP from 150 percent of the federal level to 175 percent. The eligibility change was a legislative initiative authorized in SB 22. The state match (\$1.8 million) is funded from the health and Medicaid initiatives account.

DP 11610 - Expand CHIP Dental Benefit - HB 198 - The legislature appropriated \$200,000 general fund and \$708,281 in federal matching funds to expand dental benefits for CHIP eligible children authorized in HB 198. The bill allows the CHIP program to provide dental services to those children with significant dental needs up to an annual expenditure limit of \$100,000 state funds and federal matching funds - about \$450,000 per year in the 2009 biennium. The department must adopt rules governing the circumstances under which additional services will be provided and what services might be covered.

Sub-Program Details**CHILDREN'S MENTAL HEALTH SERVICES 03****Sub-Program Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	589,324	258,996	69,157	917,477	261,133	0	850,457	1,767,934
Operating Expenses	1,400,419	2,757	533,605	1,936,781	3,401	0	1,403,820	3,340,601
Grants	189,278	0	0	189,278	0	0	189,278	378,556
Benefits & Claims	59,417,489	10,232,560	3,058,790	72,708,839	15,540,694	4,666,030	79,624,213	152,333,052
Total Costs	\$61,596,510	\$10,494,313	\$3,661,552	\$75,752,375	\$15,805,228	\$4,666,030	\$82,067,768	\$157,820,143
General Fund	17,165,351	4,234,878	714,849	22,115,078	5,977,313	828,885	23,971,549	46,086,627
State/Other Special	1,252,354	491,230	796,036	2,539,620	491,230	791,152	2,534,736	5,074,356
Federal Special	43,178,805	5,768,205	2,150,667	51,097,677	9,336,685	3,045,993	55,561,483	106,659,160
Total Funds	\$61,596,510	\$10,494,313	\$3,661,552	\$75,752,375	\$15,805,228	\$4,666,030	\$82,067,768	\$157,820,143

Children's Mental Health Services grows \$34.6 million total funds, including \$11.3 million general fund, over the 2009 biennium compared to the base budget doubled. The major cost drivers are:

- Medicaid service utilization and eligibility growth - \$23.2 million total funds, including \$7.3 million general fund
- Provider rate increases - \$4.9 million total funds, including \$0.5 million general fund and \$1.0 million health and Medicaid initiatives state special revenue
- Direct care worker wage increases - \$2.0 million, including \$0.6 million health and Medicaid initiatives state special revenue
- System of care sustainability - \$0.7 million general fund

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				294,343						296,569
Vacancy Savings				(35,347)						(35,436)
Inflation/Deflation				473						502
Fixed Costs				2,284						2,899
Total Statewide Present Law Adjustments				\$261,753						\$264,534
DP 11002 - Medicaid Caseload - Children's Mental Health										
0.00	2,819,972	0	6,163,693	8,983,665	0.00	4,501,736	0	9,794,029	14,295,765	
DP 11005 - FMAP MATCH Rate for FY2008/FY2009										
0.00	1,218,058	0	(1,218,058)	0	0.00	1,277,476	0	(1,277,476)	0	
DP 11007 - Medicaid Tobacco Portion -I-149										
0.00	0	392,028	856,867	1,248,895	0.00	0	392,028	852,901	1,244,929	
DP 11031 - CMH - Direct Care Wage Biennial										
0.00	0	99,202	(99,202)	0	0.00	0	99,202	(99,202)	0	
Total Other Present Law Adjustments										
0.00	\$4,038,030	\$491,230	\$5,703,300	\$10,232,560	0.00	\$5,779,212	\$491,230	\$9,270,252	\$15,540,694	
Grand Total All Present Law Adjustments				\$10,494,313						\$15,805,228

DP 11002 - Medicaid Caseload - Children's Mental Health - The legislature appropriated \$23.3 million total funds over the biennium, including \$7.3 million general fund for increases in children's mental health Medicaid services. This appropriation is about \$0.8 million lower than the original executive budget request, reflecting updated cost estimates. Base level expenditures were \$54.7 million total funds including \$15.2 million general fund.

DP 11005 - FMAP MATCH Rate for FY2008/FY2009 - The legislature approved the executive request for \$14.5 million in general fund with a like reduction in federal funds due to the federal Medicaid match rate (FMAP) reduction. Most of the change is for state plan services, which rise by \$12.0 million general fund with a like reduction in federal funds. This adjustment also adds \$2.5 million in general fund for children's mental health services and reduces federal funds by the same amount to account for the funding shift necessary to maintain FY 2006 funded services.

DP 11007 - Medicaid Tobacco Portion -I-149 - The legislature reduced general fund by \$0.2 million each year and increased health and Medicaid initiatives state special funds \$3.0 million each year to annualize eligibility increases and fully fund provider rate increases. State special revenue and a small amount of general fund were appropriated by the 2005 Legislature for Medicaid provider rate increases in FY 2006. Beginning in FY 2007, the legislature appropriated health and Medicaid initiative funds for the state Medicaid match to increase eligibility for children by increasing the family asset limit from \$3,000 to \$15,000.

DP 11031 - CMH - Direct Care Wage Biennial - The legislature funded annualization of the direct care wage increase for children's mental health providers. The provider rate increase for providers who agreed to implement direct care worker wage increases was implemented October 1, 2006. This appropriation fully funds the annual cost to maintain the rate increase during the 2009 biennium. The state match is funded from the health and Medicaid initiatives account.

New Proposals

New Proposals		Fiscal 2008				Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11016 - Deficit Reduction Act Grant										
03	0.00	301,381	0	301,381	602,762	0.00	0	0	0	0
DP 11501 - Provider Rate Increases										
03	0.00	0	496,036	1,084,201	1,580,237	0.00	383,927	491,152	2,192,307	3,067,386
DP 11601 - Direct Care Worker Wage Increase - Restricted										
03	0.00	18,036	300,000	695,142	1,013,178	0.00	19,050	300,000	694,128	1,013,178
DP 11608 - Equalize Campus Based Rates - Restricted										
03	0.00	23,785	0	69,943	93,728	0.00	54,261	0	159,558	213,819
DP 11901 - System of Care Sustainability										
03	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
Total	0.00	\$714,849	\$796,036	\$2,150,667	\$3,661,552	0.00	\$828,885	\$791,152	\$3,045,993	\$4,666,030

DP 11016 - Deficit Reduction Act Grant - The legislature approved the executive request for \$0.3 million general fund and \$0.3 million matching federal funds for a federal demonstration grant authorized by the federal Deficit Reduction Act of 2005. The grant will allow the state to pursue a home and community based services (HCBS) waiver, as an alternative to utilizing psychiatric residential treatment services for children with a serious emotional disturbance. This program will become cost neutral as it progresses.

DP 11501 - Provider Rate Increases - The legislature appropriated \$15.2 million, including \$4.9 million from the health and Medicaid initiatives state special revenue account, for a 2.5 percent provider rate increase each year of the biennium. Implementation of the rate increase is delayed in FY 2008, which yields an annual increase of 2.5 percent in FY 2008 with an additional 1.86 percent increase in FY 2009. In comparison, the executive budget included a rate increase of 2.5 percent for FY 2008 only. Part of the rate increase is allocated to state plan services (\$10.5 million) and the remainder is allocated to children's mental health services (\$4.7 million).

DP 11601 - Direct Care Worker Wage Increase - Restricted - The legislature appropriated \$2.0 million total funds, including \$0.6 million health and Medicaid initiatives account state special revenue, to increase direct care worker wages to \$8.50 per hour for certain classes of workers and with remaining funds to increase wages of all direct care workers by up to \$0.70 per hour, including benefits such as federal and state income taxes and workers' compensation costs. The funds may not be used for any other purpose. This appropriation is a legislative initiative and was not included in the executive budget request.

Providers accepting funds from this appropriation agree to increase wages to \$8.50 and then use the balance of funds to provide wage increases to all direct care workers. The bill includes language to restrict these funds from being used to supplant wage increases negotiated or specified in other written agreements. An October 2007 implementation is anticipated. The department is required to track amounts distributed as wage increases and report the data to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services. A table showing the amount appropriated for direct care worker wage increases by program is included in the agency narrative.

DP 11608 - Equalize Campus Based Rates - Restricted - The legislature added \$78,000 general fund and \$229,501 in federal Medicaid matching funds to raise campus based therapeutic group home Medicaid rates to the same level paid to other therapeutic group homes as long campus based services are recognized as a separate level of care by the state Medicaid program. Otherwise, the funds must be used to raise the rates for therapeutic group homes. HRD is implementing a new reimbursement methodology in response to federal requirements to unbundle Medicaid rates and pay for discreet units of service.

DP 11901 - System of Care Sustainability - The legislature added \$743,294 general fund for the biennium for system of care (SOC) sustainability, \$343,294 more than requested in the executive budget. The SOC infrastructure is a network of

local interagency teams known as Kids Management Authorities (KMA's) and a state level oversight committee. Currently, the state is overseeing the administration of the third year of a six-year federal grant that is matched by local funds from the KMA and this general fund. This grant is intended to help local communities establish a system of care for children who need mental health services, particularly those children with serious emotional disturbances. This funding would assist the state in providing leadership in the development of KMA's in local communities. KMA teams are multi-agency community organizations made up of parents, youth, state agencies serving youth, other programs who serve Montana's youth, such as juvenile justice, schools, community leaders, Tribal representatives, providers and advocates.

Sub-Program Details

PRESCRIPTION DRUG PROGRAM 05

Sub-Program Legislative Budget

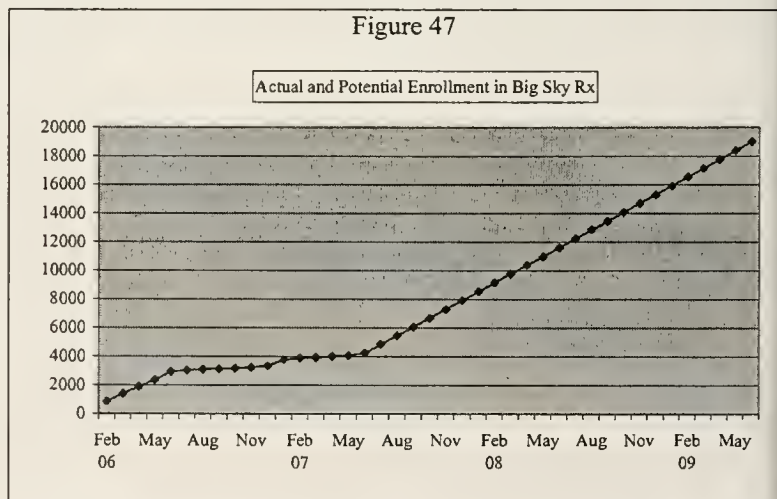
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Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	9.00	0.00	0.00	9.00	0.00	0.00	9.00	9.00
Personal Services	233,497	168,208	0	401,705	169,743	0	403,240	804,945
Operating Expenses	491,210	505,267	0	996,477	228,571	0	719,781	1,716,258
Benefits & Claims	206,364	9,718,556	1,389,441	11,314,361	43,636	2,037,846	2,287,846	13,602,207
Total Costs	\$931,071	\$10,392,031	\$1,389,441	\$12,712,543	\$441,950	\$2,037,846	\$3,410,867	\$16,123,410
State/Other Special	931,071	10,392,031	1,389,441	12,712,543	441,950	2,037,846	3,410,867	16,123,410
Total Funds	\$931,071	\$10,392,031	\$1,389,441	\$12,712,543	\$441,950	\$2,037,846	\$3,410,867	\$16,123,410

The prescription drug assistance function includes two programs. First, Big Sky Rx was initiated in late 2006 and pays monthly premium assistance (\$33.11 per month) for persons enrolled in Medicare Part D prescription drug assistance programs who have incomes below 200 percent of the federal poverty level. The Pharmassist program, a much smaller component, provides information to Montanans about the effective use of prescription drugs and helps them access prescription drug programs and was initiated in mid FY 2007.

Initial enrollment in the premium assistance program was lower than anticipated and grew slowly over in the first few months of 2007. The 2007 biennium appropriation was sufficient to provide premium assistance to 20,000 people compared to a FY 2006 average enrollment of 581 and 3,550 in FY 2007. The legislature established a biennial appropriation of \$9.6 million for assistance and to provide flexibility to administer claims with the expectation that enrollment would continue to increase over the 2009 biennium. HRD estimates that as many as 20,000 Montanans could be eligible for the premium assistance program, but that enrollment was low because the new Part D program was confusing and persons didn't understand that Big Sky Rx would assist them in paying monthly premiums.

Actual enrollment in Big Sky Rx through June 1, 2007 was 4,206 persons. HRD anticipates doing more outreach and education in order to boost enrollment throughout the 2009 biennium. An additional 616 persons would need to enroll in Big Sky Rx each month in order to fully expend the biennial appropriation, for a total enrollment of 18,990 by the end of FY 2009. Figure 47 shows actual enrollment in Big Sky Rx through June 1, 2007 and the enrollment that the appropriation would support if there were a gradual increase. Since the program began an average of 256 persons enrolled each month.



Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				184,947					186,544
Vacancy Savings				(16,739)					(16,801)
Inflation/Deflation				341					368
Fixed Costs				4,791					6,087
Total Statewide Present Law Adjustments				\$173,340					\$176,198
DP 11008 - Big Sky Rx Base Adjustment									
0.00	0	9,856,620	0	9,856,620	0.00	0	(68,300)	0	(68,300)
DP 11018 - Pharmassist Program									
0.00	0	362,071	0	362,071	0.00	0	334,052	0	334,052
Total Other Present Law Adjustments									
0.00	\$0	\$10,218,691	\$0	\$10,218,691	0.00	\$0	\$265,752	\$0	\$265,752
Grand Total All Present Law Adjustments				\$10,392,031					\$441,950

DP 11008 - Big Sky Rx Base Adjustment - The legislature appropriated \$9.8 million in state special revenue over the biennium for the Big Sky Rx program from the health and Medicaid initiatives account. The appropriation is \$5.4 million lower than the executive budget request. The appropriation for premium assistance payments is a biennial appropriation and is restricted for premium assistance payments.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The Big Sky Rx program was started in January 2006. Base year expenditures reflect only a partial fiscal year's worth of costs, since the Medicare Part D program was implemented January 1, 2006. The program, funded through health and Medicaid initiatives account, pays up to \$33.11 per month for the Medicare prescription drug plan monthly premium. HRD anticipates an estimated 20,000 individuals would be enrolled at this funding level.

Goals: The program has established the program infrastructure and is making premium assistance payments. The base adjustment is necessary to reach full service capacity for 20,000 individuals.

Performance Criteria: Big Sky Rx monthly enrollment reports as well as quarterly fiscal performance reports are produced and evaluated.

Milestones: The program hopes to reach full capacity to serve 20,000 individuals by the end of FY 2009.

FTE: 8.00 of the 9.00 FTE funded for the program have been hired with one position still vacant. The vacant position would manage a rebate program from drug manufacturers to fund other prescription drug assistance programs. The FTE which are filled are:

- 1.00 Pharmacy assistance supervisor
- 1.00 Program officer
- 1.00 Analyst
- 1.00 Media outreach officer
- 4.00 Eligibility specialists

Funding: The program is funded through tobacco tax revenue from I-149. To date HRD has spent \$931,071 of the \$8.0 million FY 2006 appropriation.

Obstacles: Enrollment has been rising slower than anticipated. The Medicare beneficiary population eligible for Big Sky Rx has been proven hard to reach both statewide and on a national basis. Medicare Part D has been very confusing to beneficiaries and the May 15, 2006 end of open enrollment negatively affected Big Sky Rx enrollment.

Risks: Big Sky Rx would not continue to pay Medicare Part D premiums to those Montanans currently enrolled and would not be able to pay premiums for the remainder of the 20,000 potential enrollees. Many of these individuals would not/may not be able to pay the out-of-pocket premium and would not receive the Part D prescription drug benefit and might go without prescription drugs.

DP 11018 - Pharmacist Program - The legislature appropriated \$0.7 million in health and Medicaid initiatives state special revenue for the Pharmacist program, authorized by the 2005 Legislature, and implemented in FY 2007. The program, authorized in 53-6-106, MCA provides prescription drug information and technical assistance to Montana residents with advice on the prudent use of prescription drugs, and how to access government and private prescription drug programs and discounts. The program includes consultation by licensed pharmacists with individuals on how to avoid dangerous drug interactions and provide for substitution of more cost-effective drugs with approval by the prescribing health care professional. The program also provides educational resources, including a website, concerning the costs and benefits of various drugs to inform consumers and medical practitioners on clinically effective and cost-conscious prescription drugs.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 11017 - Prescription Drug Discount Program - Restricted										
05	0.00	0	1,389,441	0	1,389,441	0.00	0	2,037,846	0	2,037,846
Total	0.00	\$0	\$1,389,441	\$0	\$1,389,441	0.00	\$0	\$2,037,846	\$0	\$2,037,846

DP 11017 - Prescription Drug Discount Program - Restricted - The Big Sky Rx prescription drug discount program, established by the 2005 Legislature, was not implemented during the 2007 biennium. The legislature appropriated \$3.4 million in state special revenue account from drug rebates from pharmaceutical manufacturers to support the program.

Sub-Program Details

PREMIUM ASSISTANCE PROGRAM 06

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
Personal Services	0	44,059	0	44,059	44,104	0	44,104	88,163
Total Costs	\$0	\$44,059	\$0	\$44,059	\$44,104	\$0	\$44,104	\$88,163
General Fund	0	286	0	286	308	0	308	594
State/Other Special	0	21,744	0	21,744	21,744	0	21,744	43,488
Federal Special	0	22,029	0	22,029	22,052	0	22,052	44,081
Total Funds	\$0	\$44,059	\$0	\$44,059	\$44,104	\$0	\$44,104	\$88,163

The Premium Assistance Program was funded by the 2005 Legislature, but not initiated during the 2007 biennium. It is contingent on federal approval of the Health Insurance Flexibility and Accountability (HIFA waiver), which is discussed in greater detail in the agency summary.

The HIFA waiver was initially proposed by the Medicaid redesign group that met during the 2005 biennium. The 2005 Legislature approved the waiver concept and funding for components of the waiver. Due to extensive state review of the waiver, including evaluation by the Governor's Office, the waiver was not submitted for federal review until July 21, 2006. DPHHS began responding to federal inquiries in early October and received 65 questions from federal reviewers in early November 2006. It appears that the waiver will not be implemented until after July 1, 2007 and that some elements may change.

This component of the HIFA waiver would allow federal Medicaid funding for premium assistance for up to 260 persons with incomes under 150 percent of the federal poverty level who are participating in the Montana Comprehensive Health Association (MCHA - high risk state pool for persons who have been refused coverage in the private market). HIFA waiver funding is estimated to provide services to 200 people currently participating in MCHA and an additional 60 persons from the waiting list. The total funding anticipated for the program is \$3.9 million over the five year waiver and the total services anticipated would be 1,800 months of insurance premium assistance per year.

The HRD funding request supports an FTE to administer the program. The state match for expanded premium assistance is appropriated in the State Auditor's budget (\$2 million in health and Medicaid initiatives account over the biennium) and the federal Medicaid matching funds were appropriated to the Director's Office to be redistributed among programs once the waiver is approved.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				45,895					45,942
Vacancy Savings				(1,836)					(1,838)
Total Statewide Present Law Adjustments				\$44,059					\$44,104
Grand Total All Present Law Adjustments				\$44,059					\$44,104

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	193.44	0.00	9.30	202.74	0.00	9.30	202.74	202.74
Personal Services	8,156,927	1,006,877	640,310	9,804,114	1,097,379	1,045,240	10,299,546	20,103,660
Operating Expenses	6,057,344	918,369	189,000	7,164,713	931,162	168,900	7,157,406	14,322,119
Equipment	100,165	0	40,000	140,165	0	0	100,165	240,330
Capital Outlay	0	0	0	0	0	0	0	0
Grants	7,160,481	0	1,792,000	8,952,481	0	1,192,000	8,352,481	17,304,962
Benefits & Claims	198,773,021	9,187,039	18,602,569	226,562,629	10,939,164	27,081,848	236,794,033	463,356,662
Transfers	0	0	0	0	0	0	0	0
Debt Service	9,741	3,030	0	12,771	3,300	0	13,041	25,812
Total Costs	\$220,257,679	\$11,115,315	\$21,263,879	\$252,636,873	\$12,971,005	\$29,487,988	\$262,716,672	\$515,353,545
General Fund	46,295,501	1,447,394	6,561,169	54,304,064	1,651,661	8,798,026	56,745,188	111,049,252
State/Other Special	22,385,363	6,943,248	3,611,684	32,940,295	7,673,249	4,282,989	34,341,601	67,281,896
Federal Special	151,576,815	2,724,673	11,091,026	165,392,514	3,646,095	16,406,973	171,629,883	337,022,397
Total Funds	\$220,257,679	\$11,115,315	\$21,263,879	\$252,636,873	\$12,971,005	\$29,487,988	\$262,716,672	\$515,353,545

Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long term care issues to Montanans of all ages. The division makes services available through six major programs:

1. The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;
2. Medicaid Community Services Program pays for in-home, personal assistance, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
3. Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 94 Montana nursing homes;
4. Protective services, including the investigation of abuse, neglect and exploitation, are provided by adult protective services social workers;
5. Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans' Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans' Home in Glendive; and
6. The State Supplemental Payments Program pays for a portion of the room and board costs for Supplemental Security Income (SSI) eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veterans' Homes, 10-2-401, MCA (authorizes and establishes Montana Veterans' Homes); 53-1-602, MCA (Eastern Montana Veterans' Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Highlights

Senior and Long Term Care Division	
Major Budget Highlights	
♦	The 2009 biennium budget is \$67.8 million total funds, including \$17.3 million general fund, higher than the 2007 biennium budget, with most of the increase (\$59.0 million) in benefits
♦	The FY 2009 appropriation rises to \$262.7 million compared to base budget expenditures of \$220.3 million
♦	Major increases compared to base budget expenditures are: <ul style="list-style-type: none"> • Legislative initiatives for: <ul style="list-style-type: none"> ◦ Direct care worker wage increases - \$15.8 million ◦ Provider rate increases above the executive request - \$1.7 million total funds, including \$0.2 million general fund ◦ Aging services increases above the executive request - \$3.7 million general fund, with \$3.0 million being a one-time only appropriation • Medicaid services grow \$33.5 million total funds, including \$9.1 million general fund and \$10.7 million state special revenue, with the following expansions and contractions <ul style="list-style-type: none"> ◦ The largest increase is due to annualization of expansions authorized by the 2005 Legislature (\$18.0 million total funds, including \$7.7 million in state special revenue and a net reduction of \$1.6 million general fund) ◦ Medicaid cost increases are partially offset by projected ongoing declines in nursing home services (\$3.8 million, including \$0.9 million general fund) • Increases of \$4.8 million for veterans' homes, largely for support of the Montana Veterans' Home, including funding for 5.80 FTE and several remodeling and facility upgrades • Reinstatement of \$1.7 million general fund for Meals on Wheels and in-home care giver services, which were authorized as one-time-only appropriations by the 2005 Legislature, and a \$0.3 million increase for meal programs

SLTC Division Budget

The Senior and Long Term Care Division (SLTC) 2009 biennium appropriation grows \$74.8 million compared to the base budget doubled, despite projected ongoing declines in nursing home services. Major biennial increases that offset anticipated nursing home cost reductions of \$9.2 million are:

- Direct care worker wages increases - \$15.8 million total funds (\$2.3 million general fund and \$2.7 million health and Medicaid initiatives state special revenue)
- Annualization of the FY 2007 increase in nursing home bed tax revenues used as state Medicaid match - \$15.8 million total funds (\$5.1 million in bed tax state special revenue)
- Provider rate increase of 2.5 percent each year - \$15.5 million total funds (\$2.1 million general fund and \$3.1 million health and Medicaid initiatives state special revenue)
- Annualization of 2007 biennium waiver increases and funding for 100 new slots in the 2009 biennium - \$7.6 million total funds (\$0.5 million general fund and \$2.1 million health and Medicaid initiative state special revenue)
- Growth in the county intergovernmental transfer program - \$7.4 million (\$2.7 million county matching state special revenue)
- Aging community services, including continuation of in-home care giver services and elderly meal programs - \$5.7 million general fund, of which \$3.0 million is appropriated for the 2009 biennium only
- Montana veterans' homes personal services and operating cost increases - \$3.7 million total funds (\$0.7 million cigarette tax revenue)

- o Contingency funding to offset a reduction in the county intergovernmental fund transfer used as state match in Medicaid services - \$2.8 million general fund

Legislative initiatives added \$30.1 million, including \$11.4 million general fund, to the 2009 biennial appropriation. Figure 48 shows each initiative.

Provider rate increases for SLTC services are funded at 2.5 percent annually. The executive budget request submitted to the May 2007 Special Session of the legislature recommended delayed implementation of FY 2008 provider rate increases until October 2007. The legislature accepted that recommendation for all other services, except this division.

The legislature offset general fund for the waiver expansion with health and Medicaid initiatives state special revenue to backfill the provider rate delay in SLTC. The negative difference between the executive recommendation and legislatively approved provider rates in this division is due to reductions in nursing home costs in the original executive request and subsequent legislative action. Caseload reductions lowered the amount needed to fund a 2.5 percent provider rate increase in FY 2008.

Figure 48 Legislative Appropriation Initiatives - Senior and Long Term Care Division					
Purpose	FY 2008		FY 2009		% of
	General Fund	Total Funds	General Fund	Total Funds	
Direct Care Worker Wage Increase	\$1,152,035	\$7,907,523	\$1,155,706	\$7,907,523	41.1%
Provider Rate Increase*	(55,930)	(114,462)	1,833,186	5,266,409	27.4%
Healthcare for Healthcare Workers	0	0	814,900	2,587,806	13.5%
Aging Services	1,871,647	1,871,647	1,871,647	1,871,647	9.7%
IGT Offset	<u>1,189,272</u>	<u>1,189,272</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>8.3%</u>
Total Legislative Initiatives	<u>\$4,157,024</u>	<u>\$10,853,980</u>	<u>\$7,275,439</u>	<u>\$19,233,385</u>	100.0%
2009 Biennial Total			<u>\$11,432,463</u>	<u>\$30,087,365</u>	
*This amount is the net change from the original executive recommendation. Provider rate increases show a negative difference in FY 2008 because nursing home cost estimates declined between submission of the executive budget and legislative budget action.					

Budget by Function

Figure 49 shows the SLTC base budget compared to the legislative appropriation for each year of the 2009 biennium by major function and for each benefit and grant. The Medicaid services function is 89.8 percent of the total division budget in FY 2009 and Medicaid nursing home services are the largest budgetary item, accounting for almost two thirds of the FY 2009 appropriation.

Aging and veterans' services each account for roughly 4.0 to 5.0 percent of the total division appropriation in FY 2009. Aging grants that support meals, in-home care giver services, and the Area Agencies on Aging account for 2.9 percent of the budget in FY 2009. General fund appropriations for Meals on Wheels and in-home care giver services were made as one-time appropriations and removed from base budget expenditures. However, these expenditures are included in the FY 2006 base amounts shown in Figure 48 for comparative purposes because they were reauthorized by the 2007 Legislature and will be considered present law services in the 2011 biennium.

SLTC Benefits

There are three major Medicaid services administered by SLTC – skilled nursing or nursing home services, home based services, and community based waiver services. Skilled nursing and home based services are an entitlement, meaning that if a person qualifies for Medicaid and the service is medically necessary, that person is entitled to receive the service, regardless of whether the appropriation is sufficient to cover the cost of services that must be delivered.

Community based waiver services are not an entitlement and require a waiver of federal regulations to limit the number and types of services provided. In order to be eligible for SLTC waiver services, a person must need nursing home or hospital level of care. The waiver must be cost neutral, meaning that the federal cost of the waiver is lower than the cost of providing nursing home level of care.

Home based services include personal assistance, home health and hospice services. Personal assistance services account for 93.0 percent of the FY 2006 base expenditures, with hospice and home health services making up 6.0 and 1.0 percent, respectively.

Figure 49
Senior and Long-Term Care Division 2006 Base Budget Expenditures and 2009 Biennium Appropriation by Major Function and Service

Function and Benefits and Grants	FY 2006 Base Budget			FY 2008 Legislative Appropriation			FY 2009 Legislative Appropriation			% of Total SLTC			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total					
Division Administration	\$156,580	\$48,280	\$145,409	\$350,269	\$251,540	\$191,012	\$227,716	\$670,268	\$369,936	\$480,662	\$326,893	\$1,177,491	0.4%
Medicaid Services	42,494,853	16,143,044	141,185,498	199,823,395	46,785,609	24,691,511	154,758,755	226,235,875	49,343,771	25,825,658	160,856,554	236,025,983	89.8%
Aging Services	2,106,765	0	6,723,629	8,830,394	5,422,022	0	6,834,368	12,256,390	5,171,982	0	6,832,348	12,004,330	4.6%
Veterans' Homes	0	5,949,799	3,127,553	9,077,352	0	7,739,579	3,174,668	10,914,247	0	7,718,700	3,215,782	10,934,482	4.2%
Adult Protective Svcs	1,537,303	244,240	394,726	2,176,269	1,844,893	318,193	397,007	2,560,093	1,859,499	316,581	398,306	2,574,386	1.0%
Total Division	\$46,295,501	\$22,385,363	\$151,576,815	\$220,257,679	\$54,304,064	\$32,940,295	\$165,392,514	\$252,636,873	\$56,745,188	\$34,341,601	\$171,629,883	\$262,716,672	100.0%
Percent of Total	21.0%	10.2%	68.8%	100.0%	21.5%	13.0%	65.5%	100.0%	21.6%	13.1%	65.3%	100.0%	
Compounded Annual Rate of Change from FY 2006 Base					8.3%	21.3%	4.5%	7.1%	7.0%	15.3%	4.2%	6.1%	
Benefits													
Medicaid													
Nursing Homes	\$28,853,174	\$11,945,550	\$98,395,698	\$139,194,422	\$30,220,860	\$17,600,876	\$105,485,640	\$153,307,326	\$31,187,132	\$17,527,530	\$106,629,314	\$155,343,976	59.1%
IGT	0	1,912,098	4,578,392	6,490,490	0	2,889,105	6,170,092	9,059,197	0	3,645,237	7,630,353	11,275,590	4.3%
Home Based Services	6,111,838	1,867,551	19,285,169	27,264,558	8,116,625	2,088,711	20,632,536	30,837,872	8,116,625	2,107,206	23,719,821	35,644,850	13.6%
Waiver Services	6,595,771	395,891	16,846,130	23,837,792	7,995,530	1,447,528	20,412,127	29,855,185	7,886,990	1,837,193	20,855,810	30,579,993	11.6%
Nurse Aide Testing	143,871	0	143,871	287,742	143,871	0	143,871	287,742	143,871	0	143,871	287,742	0.1%
State Supplement	963,994	0	0	963,994	986,554	0	0	986,554	1,009,114	0	0	1,009,114	0.4%
Aging Services	0	0	0	0	1,494,730	0	0	1,494,730	1,818,745	0	0	1,818,745	0.7%
Adult Protective Services	39,665	0	0	39,665	39,665	0	0	39,665	39,665	0	0	39,665	0.0%
Resource Facilitation TBI	0	0	0	0	0	0	0	0	0	100,000	0	100,000	0.0%
Institutional - MVH	0	0	694,358	694,358	0	0	694,358	694,358	0	0	694,358	694,358	0.3%
Subtotal Benefits	\$42,708,313	\$16,121,090	\$139,943,618	\$198,773,021	\$48,997,835	\$24,026,170	\$153,538,624	\$226,562,629	\$50,202,142	\$25,217,166	\$159,673,527	\$236,794,033	90.1%
Percent of Total	21.5%	8.1%	70.4%	100.0%	21.6%	10.6%	67.8%	100.0%	21.2%	10.6%	67.4%	100.0%	
Compounded Annual Rate of Change from FY 2006 Base					7.1%	22.1%	4.7%	6.8%	5.5%	16.1%	4.5%	6.0%	
Grants													
Aging Grants	\$936,113	\$0	\$6,224,368	\$7,160,481	\$1,436,113	\$0	\$6,224,368	\$7,660,481	\$1,436,113	\$0	\$6,224,368	\$7,660,481	2.9%
Meals on Wheels*	567,000	0	0	567,000	692,000	0	0	692,000	692,000	0	0	692,000	0.3%
Inhome Care-Giver Servi	300,000	0	0	300,000	600,000	0	0	600,000	0	0	0	0	0.0%
Subtotal Grants	\$1,803,113	\$0	\$6,224,368	\$8,027,481	\$2,728,113	\$0	\$6,224,368	\$8,952,481	\$2,128,113	\$0	\$6,224,368	\$8,352,481	3.2%
Percent of Total Div.	13.1%	0.0%	86.9%	100.0%	18.7%	0.0%	81.3%	100.0%	18.7%	0.0%	81.3%	100.0%	
Compounded Annual Rate of Change from FY 2006 Base					23.9%	n/a	0.0%	3.4%	15.3%	n/a	0.0%	2.3%	
Veterans' Homes													
Montana Vets' Home	\$0	\$5,640,906	\$2,004,300	\$7,645,206	\$0	\$6,828,088	\$2,053,385	\$8,881,473	\$0	\$7,128,766	\$2,094,450	\$9,223,216	3.5%
Eastern Vets' Home	0	308,893	1,123,253	1,432,146	0	362,119	1,123,253	1,485,372	0	305,659	1,123,253	1,428,912	0.5%
Subtotal Vets' Homes	\$0	\$5,949,799	\$3,127,553	\$9,077,352	\$0	\$7,190,207	\$3,176,638	\$10,366,845	\$0	\$7,434,425	\$3,217,703	\$10,652,128	4.1%
Percent of Total	0.0%	65.5%	34.5%	100.0%	0.0%	69.4%	30.6%	100.0%	0.0%	69.8%	30.2%	100.0%	
Compounded Annual Rate of Change from FY 2006 base budget expend					n/a	9.9%	0.8%	6.9%	n/a	7.7%	1.0%	5.5%	

*Meals on Wheels was funded from a one-time appropriation of federal funds during the 2007 biennium, but included in this table for illustrative purposes.

**Inhome care-giver services is a biennial appropriation in FY 2006, but shown as an equal amount in each year of the biennium for the purposes of this table.

*Meals on Wheels was funded from a one-time appropriation of federal funds during the 2007 biennium, but included in this table for illustrative purposes.
 **Inhome care-giver services is a biennial appropriation in FY 2006, but shown as an equal amount in each year of the biennium for the purposes of this table.

State supplement payments are made to persons who are eligible for federal Supplemental Security Income (SSI) payments. The state supplement (\$94 per month) is paid to SSI eligible individuals living in certain congregate living situations such as group homes. The payment is funded fully from the general fund.

Aging services benefits include both community services for all elderly persons and a small amount – about \$40,000 general fund each year – pays for emergency services such as temporary lodging and cleaning for victims of elder abuse and neglect.

Grants for aging services support a variety of services, with the majority of funds (upwards of 70 percent) used for elderly feeding programs. The majority of aging services funding comes from federal grants that are distributed to local Area Agencies on Aging (AAAs). Federal grant funds include parameters on how the funds may be spent. General fund supports grants to AAAs, Meals on Wheels, and in-home care giver programs. Meals on Wheels and in-home care giver appropriations were approved as one-time-only in the 2007 biennium, and removed from base budget expenditures. They are included in this table for reference purposes.

The legislature increased aging services by \$3.7 million general fund over the biennium. It made a one-time-only appropriation of \$3.0 million general fund over the biennium for aging services and an ongoing appropriation of \$0.7 million general fund. The increase was allocated between services and grants appropriations with a restriction that it must be spent on community aging services.

Veterans' services are 4.1 percent of the FY 2009 SLTC budget. The 2009 biennium appropriation increases due to additional staffing at MVH, operating cost increases, and facility upgrades.

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Senior & Long-Term Care						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 46,295,501	21.0%	\$ 54,304,064	21.5%	\$ 56,745,188	21.6%
01100 General Fund	46,295,501	21.0%	54,304,064	21.5%	56,745,188	21.6%
02000 Total State Special Funds	22,385,363	10.2%	32,940,295	13.0%	34,341,601	13.1%
02023 Private Ins. Medicaid Reim.-Ve	2,802,543	1.3%	4,133,622	1.6%	4,274,037	1.6%
02032 Vets-1&1 Lease	5,000	0.0%	4,997	0.0%	4,997	0.0%
02053 Medicaid Nursing Home Match	3,462,236	1.6%	4,580,736	1.8%	5,336,868	2.0%
02260 Cigarette Tax Revenue	3,190,536	1.4%	3,791,972	1.5%	3,820,328	1.5%
02497 6901-Lien & Estate - Sltd	823,903	0.4%	897,856	0.4%	896,244	0.3%
02772 Tobacco Hlth & Medica Initiative	3,254,525	1.5%	7,991,308	3.2%	8,428,956	3.2%
02782 69010-Csb Conference	21,954	0.0%	21,954	0.0%	21,954	0.0%
02987 Tobacco Interest	703,779	0.3%	831,850	0.3%	932,217	0.4%
02990 69010-Nursing Home Utilization	8,120,887	3.7%	10,686,000	4.2%	10,626,000	4.0%
03000 Total Federal Special Funds	151,576,815	68.8%	165,392,514	65.5%	171,629,883	65.3%
03005 Emvh V-A Nursing Reimbursement	1,123,253	0.5%	1,123,253	0.4%	1,123,253	0.4%
03073 Aging - Farmers Market	39,450	0.0%	39,450	0.0%	39,450	0.0%
03112 Vets-V.A. Reimb	1,925,208	0.9%	1,961,788	0.8%	2,001,197	0.8%
03501 64.014 - Vets St. Domic Care I	81,948	0.0%	128,895	0.1%	178,862	0.1%
03514 10.570 - Elderly Feeding 100%	643,747	0.3%	643,747	0.3%	643,747	0.2%
03515 93.041 - Elder Abuse Prev 100%	30,436	0.0%	30,436	0.0%	30,436	0.0%
03516 93.042 - Ombudsman Activity 10	74,719	0.0%	74,719	0.0%	74,719	0.0%
03517 93.043 - Preventive Hlth 100%	105,929	0.0%	105,929	0.0%	105,929	0.0%
03518 93.044 - Aging Sup S & Train I	1,775,826	0.8%	1,852,512	0.7%	1,855,212	0.7%
03519 93.045 - Aging Meals 100%	2,718,622	1.2%	2,731,133	1.1%	2,742,504	1.0%
03537 93.779 - Hlth Info Counseling	185,968	0.1%	238,002	0.1%	240,704	0.1%
03579 93.667 - Ssbj - Benefits	297,973	0.1%	296,813	0.1%	296,816	0.1%
03580 6901-93.778 - Med Adm 50%	1,439,490	0.7%	1,483,983	0.6%	1,515,763	0.6%
03583 93.778 - Med Ben Fmap	139,943,618	63.5%	153,501,373	60.8%	159,598,210	60.7%
03666 Aging - Caregiver Iii-E	735,482	0.3%	738,189	0.3%	740,067	0.3%
03799 6901-Older Worker Program	455,146	0.2%	442,292	0.2%	443,014	0.2%
Grand Total	\$ 220,257,679	100.0%	\$ 252,636,873	100.0%	\$ 262,716,672	100.0%

SLTC is funded from a combination of general fund, state special revenue, and federal funds. Total funding rises from \$220.3 million in base budget expenditures to \$262.7 million for the FY 2009 appropriation. Medicaid services, particularly skilled nursing services, drive costs in this division. Total Medicaid services funding in FY 2006 was \$199.8 million or 90.7 percent of total division expenditures and it comprises \$233.8 million or 89.0 percent of the FY 2009 appropriation.

General fund rises from 21.0 percent of the total division funding in FY 2006 to 21.6 percent in FY 2009, while state special revenue rises from 10.2 percent of the base budget (\$22.4 million) to 13.1 percent in FY 2009 (\$34.3 million). Increases in state special revenue, most notably health and Medicaid initiatives funding for provider rate and direct care worker wage increases, offset what otherwise would have been general fund costs.

Most state funding for this program pays the state match for Medicaid services. General fund and state special revenue combined provided \$57.8 million for Medicaid match in FY 2006 and grow to \$68.8 million of the FY 2009 appropriation, partly due to the reduction in the federal Medicaid match rate.

General fund also supports aging services and some adult protective services (APS) functions. Appropriations to continue funding for senior meals and at-home care givers, and to increase aging services and meal funding, as well as operating cost increases for aging services, also contribute to the general fund increase.

The majority of state special revenue - \$25.1 million - is used for state Medicaid match, primarily for skilled nursing facility services. The nursing home utilization fee (authorized in 15-6-102(1), MCA) is a tax of \$8.30 paid for each day a bed in a skilled nursing facility is occupied. Facilities remit the fee to the state and fee income is used to draw down federal matching funds to increase the daily Medicaid nursing home reimbursement. Fee income totals \$10.6 million in FY 2009.

The second most significant source of state special revenue for Medicaid nursing home match is health and Medicaid initiatives tobacco tax revenue, contributing \$8.4 million in FY 2009. State special revenue from county intergovernmental transfers (IGT) is expected to decline as source of matching funds even though the amount appropriated rises from \$3.4 million in base budget expenditures to \$5.3 million in the FY 2009 appropriation. In the IGT program counties transmit county funds that support county skilled nursing facilities to DPHHS to draw down additional federal Medicaid funds to raise daily Medicaid nursing home rates. However, there is a concern that federal rules published during the legislative session will further restrict the use of IGT funds and county participation will decline. The IGT program is discussed in greater detail in the Medicaid services subprogram. Finally, interest from the tobacco settlement trust is also used as state Medicaid match.

Support of the veterans' homes is the next most significant use of state special revenue. Cigarette tax revenue is statutorily allocated for veterans' services (16-11-119(1)(a), MCA), and interest and income from state land provides a small amount of funding too.

Lien and estate funds are reimbursements from estates of persons who received Medicaid services (53-6-143, MCA). The funds are used to support APS and a small portion of nursing home Medicaid match.

Federal funds are the largest funding source and increase from FY 2006 (\$151.5 million) to FY 2009 (\$171.6 million) and are 65.3 percent of the FY 2009 appropriation. Federal Medicaid matching funds for services for aged and physically disabled individuals are 60.7 percent of total funding in the FY 2009 appropriation, with only one other federal funding source contributing in excess of 1 percent of total division spending (aging meals at 1.0 percent and \$2.7 million).

Figure 50

Cigarette Tax Fund Balance Supporting Veterans' Services

Fund Balance	FY 2006	FY 2007*	FY 2008*	FY 2009*	Percent of Total
Deposits/Expenditures					
Beginning Fund Balance**	\$2,115,828	\$2,081,524	\$2,000,000	\$2,000,000	
Revenue/Transfers In					
Cigarette Tax	\$6,362,659	\$6,352,000	\$6,228,000	\$6,130,000	
Other Deposits***	13,874				
Expenditures					
<u>Veterans' Homes Operations</u>					0.0%
Montana Veterans' Home	\$2,833,363	\$2,227,089	\$3,303,602	\$3,284,652	84.2%
Eastern Montana Veterans' Home	308,893	308,893	362,119	307,119	7.9%
<u>Long-Range Building</u>					
Montana Veterans' Homes	372,095	574,081	1,673,000	0	0.0%
DPHHS Cost Allocated Admin.	136,203	168,599	209,062	259,237	6.6%
Division Administrative Cost	36,290	53,710	48,394	48,845	1.3%
Pay Plan and Retirement Costs	0	0	77,857	181,172	4.6%
Subtotal Expenditures	\$3,686,844	\$3,332,372	\$5,596,177	\$3,899,853	100.0%
Annual Rate of Increase		-9.6%	67.9%	-30.3%	
Compounded Rate of Increase from Base Budget		-9.6%	23.2%	1.9%	
Transfer to General Fund	(\$2,812,016)	(\$3,101,153)	(\$631,823)	(\$2,230,147)	
Adjustments**	<u>\$101,898</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Ending Fund Balance	<u>\$2,081,524</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	

*Revenue based on estimates adopted by the Revenue Oversight Taxation and Transportation Committee. Expenditures are based on executive budget request. Estimated expenditures also include indirect costs allocated across DPHHS.

**Statute requires that unexpended cash balances in excess of \$2 million be deposited to the general fund. Fund balances include other adjustments and may not equal cash balances.

Cigarette Tax Funding

Figure 50 shows the estimated fund balance in the cigarette state special revenue allocated to veterans and the projected transfer to the general fund. Statute requires that amounts in excess of \$2.0 million in the veterans' portion of the cigarette tax fund be transferred to the general fund at fiscal year end.

The legislature appropriated \$1.7 million more in reimbursements from insurance and private payments than included in the original executive request. This action was partially in response to an LFD issue that identified DPHHS estimates of third party revenue as being higher than the amounts included in the executive budget request.

Biennial Comparison

Figure 51 shows the 2007 biennium budget compared to the 2009 biennium budget. The 2009 biennium appropriation is \$67.8 million higher than the 2007 biennium. Most of the increase (\$59.0 million and 87.1 percent) is in

benefits and services and the majority of funding (\$30.5 million and 44.9 percent) is federal. General fund increases \$17.3 million and state special revenue grows \$20.0 million.

Benefits cost growth is driven by Medicaid services. While the number of nursing home days of care is expected to decline over the 2009 biennium, the provider rate increases, including direct care worker wage increases and healthcare for health care workers, more than offsets the savings due to caseload reductions. Other Medicaid services expand from the FY 2006 base due to eligibility and service utilization growth as well as provider and direct care worker wage increases.

Appropriations for operation of the veterans' homes is largely responsible for changes in personal services and operating cost growth between the two biennia. Grant increases are due almost solely to the legislative initiatives to expand community aging services.

General fund increases are related to Medicaid expansions, the increase in the Medicaid state match rate, and to a much lesser extent, the increases in aging services. State special revenue growth is due mostly to appropriations from the health and Medicaid initiatives account (I-149 funds) to support Medicaid provider rate and direct care worker increases, as well as annualization of the increase in the nursing home bed tax in FY 2007. Appropriations from cigarette tax revenues and third party payments to support veterans' homes also contribute to the increase. Federal changes are due largely to Medicaid service and rate increases.

Figure 51

2007 Biennium Compared to 2009 Biennium Appropriation
Senior and Long Term Care Division

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Change	Percent of Change
FTE	193.44	202.74		9.30	
Personal Services	\$16,642,196	\$20,103,660	3.9%	\$3,461,464	5.1%
Operating	11,851,500	14,322,119	2.8%	2,470,619	3.6%
Equipment	169,201	240,330	0.0%	71,129	0.1%
Grants	14,525,132	17,304,962	3.4%	2,779,830	4.1%
Benefits/Claims*	404,308,203	463,356,662	89.9%	59,048,459	87.1%
Debt Service	<u>25,653</u>	<u>25,812</u>	0.0%	<u>159</u>	0.0%
Total Costs	<u>\$447,521,885</u>	<u>\$515,353,545</u>	100.0%	<u>\$67,831,660</u>	100.0%
			0.0%		
General Fund*	\$93,727,883	\$111,049,252	21.5%	\$17,321,369	25.5%
State Special	47,251,234	67,281,896	13.1%	20,030,662	29.5%
Federal Funds	<u>306,542,768</u>	<u>337,022,397</u>	65.4%	<u>30,479,629</u>	44.9%
Total Funds	<u>\$447,521,885</u>	<u>\$515,353,545</u>	100.0%	<u>\$67,831,660</u>	100.0%
Percent Increase		15.2%			

*General fund appropriations in the 2007 biennium include a reduction of \$1,531,366, which is the amount that was transferred to offset other program deficits.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions discussed following each subprogram narrative.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				1,004,982					1,069,936	
Vacancy Savings				(366,475)					(369,077)	
Inflation/Deflation				52,267					60,788	
Fixed Costs				(11,570)					753	
Total Statewide Present Law Adjustments				\$679,204					\$762,400	
DP 6015 - State Motor Pool Change										
	0.00	(2,627)	0	(581)	(3,208)	0.00	(2,618)	0	(589)	(3,207)
DP 22201 - SLTC Field Office Rent Adjustment										
	0.00	10,909	0	4,005	14,914	0.00	19,527	0	4,863	24,390
DP 22204 - Adult Protective Services Database Maintenance										
	0.00	50,886	0	1,846	52,732	0.00	50,886	0	1,846	52,732
DP 22205 - Montana Veterans' Home Expense Adjustments										
	0.00	0	908,886	0	908,886	0.00	0	916,919	0	916,919
DP 22206 - Dept of Transportation Cars										
	0.00	11,674	0	11,674	23,348	0.00	11,903	0	11,904	23,807
DP 22207 - Annualize Nursing Home Provider Tax										
	0.00	0	2,565,113	5,401,391	7,966,504	0.00	0	2,505,113	5,288,162	7,793,275
DP 22208 - State Supplement Caseload Increase										
	0.00	24,960	0	0	24,960	0.00	49,920	0	0	49,920
DP 22209 - Annualize Waiver Expansion Costs										
	0.00	(419,748)	829,669	750,433	1,160,354	0.00	(406,035)	829,669	736,720	1,160,354
DP 22210 - Medicaid Nursing Home FMAP Adj										
	0.00	2,894,405	0	(2,894,405)	0	0.00	3,033,599	0	(3,033,599)	0
DP 22211 - Home Based Medicaid FMAP Adj										
	0.00	578,956	0	(578,956)	0	0.00	606,220	0	(606,220)	0
DP 22212 - Medicaid Waiver FMAP Adjustment										
	0.00	491,021	0	(491,021)	0	0.00	514,859	0	(514,859)	0
DP 22213 - Nursing Home Caseload Adjustment										
	0.00	(1,976,500)	0	(1,382,760)	(3,359,260)	0.00	(2,413,868)	0	(2,471,274)	(4,885,142)
DP 22214 - Medicaid Home Based Svs Caseload Adjustment										
	0.00	259,964	0	568,210	828,174	0.00	642,540	0	1,397,917	2,040,457
DP 22215 - FMAP Change for 1-149 NH Provider Increase										
	0.00	111,741	0	(111,741)	0	0.00	117,192	0	(117,192)	0
DP 22216 - FMAP Change for 1-149 Home Based Provider Increase										
	0.00	14,651	0	(14,651)	0	0.00	15,366	0	(15,366)	0
DP 22217 - FMAP Change for 1 1-149 Waiver Provider Rate Inc										
	0.00	12,213	0	(12,213)	0	0.00	12,809	0	(12,809)	0
DP 22218 - Annualize Nursing Home Direct Care Wage										
	0.00	(1,021,218)	1,021,218	0	0	0.00	(1,021,218)	1,021,218	0	0
DP 22219 - FMAP Change - 1-149 Home Based Direct Care Wages										
	0.00	34,149	0	(34,149)	0	0.00	35,815	0	(35,815)	0
DP 22220 - FMAP Change - 1-149 Direct Care Wages Med Waiver										
	0.00	6,994	0	(6,994)	0	0.00	7,336	0	(7,336)	0
DP 22223 - Nursing Home IGT Adjustment										
	0.00	0	977,007	1,591,700	2,568,707	0.00	0	1,733,139	3,051,961	4,785,100
DP 22909 - Montana Veterans' Home Contingency Fund Line Item										
	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Total Other Present Law Adjustments										
	0.00	\$1,082,430	\$6,551,893	\$2,801,788	\$10,436,111	0.00	\$1,274,233	\$7,256,058	\$3,678,314	\$12,208,605
Grand Total All Present Law Adjustments				\$11,115,315						\$12,971,005

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
22	0.00	91,549	138,780	80,508	310,837	0.00	208,735	327,848	178,306	714,889
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
22	0.00	3,422	3,838	2,074	9,334	0.00	3,220	3,969	2,148	9,337
DP 22101 - EMVH Resident Bus Replacement - OTO										
22	0.00	0	40,000	0	40,000	0.00	0	0	0	0
DP 22103 - MVH Facility Upgrades - OTO										
22	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22105 - MVH Special Care Unit Staff										
22	5.20	0	137,862	0	137,862	5.20	0	138,421	0	138,421
DP 22106 - MVH Pharmacy Clerk										
22	0.60	0	22,539	0	22,539	0.60	0	22,685	0	22,685
DP 22107 - EMVH Fire Alarm System - OTO										
22	0.00	0	15,000	0	15,000	0.00	0	0	0	0
DP 22108 - Additional Aging Ombudsman Position										
22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22109 - Elderly Meal Programs										
22	0.00	692,000	0	0	692,000	0.00	692,000	0	0	692,000
DP 22110 - Continue Aging In-Home Caregiver Program										
22	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 22112 - Additional SHIP FTE for Aging Services										
22	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22119 - Waiver Expansion										
22	0.00	838,161	0	1,810,894	2,649,055	0.00	439,619	410,728	1,798,708	2,649,055
DP 22239 - Adult Protective Services Field Staff										
22	1.50	0	74,698	0	74,698	1.50	0	73,084	0	73,084
DP 22501 - Provider Rate Increases										
22	0.00	123,083	1,555,760	3,398,230	5,077,073	0.00	2,012,199	1,578,443	6,867,306	10,457,948
DP 22601 - Direct Care Worker Wage Increases - Restricted										
22	0.00	1,152,035	1,330,136	5,425,352	7,907,523	0.00	1,155,706	1,334,373	5,417,444	7,907,523
DP 22603 - Increase Third Party Revenue - MVH										
22	0.00	0	0	0	0	0.00	0	0	0	0
DP 22604 - Aging Services Increase										
22	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
DP 22605 - IGT Offset										
22	0.00	1,189,272	0	0	1,189,272	0.00	1,600,000	0	0	1,600,000
DP 22606 - Aging Services (OTO)										
22	0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000
DP 22902 - Healthcare for Healthcare Workers										
22	0.00	0	0	0	0	0.00	814,900	0	1,772,906	2,587,806
DP 22904 - Personal Needs Increase										
22	0.00	0	128,071	279,928	407,999	0.00	0	128,438	279,431	407,869
DP 22905 - Resource Facilitation Service - TBI (Rstrd/OTO)										
22	0.00	0	0	0	0	0.00	0	100,000	0	100,000
Total	9.30	\$6,561,169	\$3,611,684	\$11,091,026	\$21,263,879	9.30	\$8,798,026	\$4,282,989	\$16,406,973	\$29,487,988

Language

The legislature adopted the following language.

"County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of medicaid services provided.

Funds in IGT Offset may be used as Medicaid matching funds for nursing home services and home-based services for aged and physically disabled persons only if the county nursing home intergovernmental transfer program is not sufficient to reimburse county nursing homes a net payment of at least \$5 a day for Medicaid services and other nursing homes a net payment of at least \$2 a day for Medicaid services. IGT Offset must only be used to fund a shortfall in the amount of county funds transferred as part of the county nursing home intergovernmental transfer program.

Funds in Aging Services may be used only to expand community-based aging services.

Funding in Montana Veterans' Home Contingency Fund may be used only if federal and private revenue available from federal special revenue and private payment state special revenue appropriations in fiscal year 2008 or fiscal year 2009 are insufficient to operate the homes at capacity to maximize collection of federal and private payments. The office of budget and program planning shall notify the legislative finance committee when the appropriation will be used.

Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the certified nurse aide and personal care attendant direct care worker wages and benefits to \$8.50 an hour, including related benefits. Any remaining funds may be used only to raise wages, and related benefits, up to \$0.70 an hour for direct care workers and other low-paid staff.

Funds in Provider Rate Increase may be used only to raise provider rates.

Resource Facilitation Service -- Traumatic Brain Injury may be used only to fund community based entities that assist persons with a traumatic brain injury to access services that aid recovery from their injuries.

Healthcare for Healthcare Workers may be used only for provider rate increases for contractors that provide in-home services administered by the senior and long-term care division and receive the majority of their income for those services from the medicaid program."

The Governor vetoed the italicized language.

"Included in Senior Long Term Care Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human 15 services interim committee for the following:

(1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and

(2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

The department shall provide documentation that these funds are used solely for direct care worker wage increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted. *Senior and Long Term Care Administration/Reporting include funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates."*

Sub-Program Details

MEDICAID SERVICES 01

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	17.68	0.00	0.00	17.68	0.00	0.00	17.68	17.68
Personal Services	857,381	147,787	0	1,005,168	152,991	0	1,010,372	2,015,540
Operating Expenses	1,196,652	(7,625)	0	1,189,027	(7,550)	0	1,189,102	2,378,129
Benefits & Claims	197,769,362	9,164,479	17,107,839	224,041,680	10,894,044	25,163,103	233,826,509	457,868,189
Total Costs	\$199,823,395	\$9,304,641	\$17,107,839	\$226,235,875	\$11,039,485	\$25,163,103	\$236,025,983	\$462,261,858
General Fund	42,494,853	1,111,288	3,179,468	46,785,609	1,273,592	5,575,326	49,343,771	96,129,380
State/Other Special	16,143,044	5,534,500	3,013,967	24,691,511	6,230,632	3,451,982	25,825,658	50,517,169
Federal Special	141,185,498	2,658,853	10,914,404	154,758,755	3,535,261	16,135,795	160,856,554	315,615,309
Total Funds	\$199,823,395	\$9,304,641	\$17,107,839	\$226,235,875	\$11,039,485	\$25,163,103	\$236,025,983	\$462,261,858

The Medicaid services function comprises the lion's share of the SLTC division budget with 89.8 percent (\$236.0 million) of the FY 2009 appropriation. Figure 52 lists each Medicaid service, shows the base budget, each appropriation change approved by the legislature by fiscal year, and the total amount appropriated for each Medicaid service administered by SLTC.

The FY 2009 appropriation for the Medicaid services function grows 18.0 percent over FY 2006 costs. The legislature appropriated \$62.3 million over the biennium compared to the base budget doubled. The appropriations for Medicaid services support:

- o Annualization of service expansions approved by the 2005 Legislature - \$18.1 million total funds, including \$7.7 million state special revenue which offsets and reduces general fund by \$1.6 million
- o Direct care worker wage increases - \$15.8 million total funds, \$1.2 million general fund and \$3.1 million in health and Medicaid initiatives state special revenue
- o Provider rate increases - \$15.0 million total funds, \$3.1 million general fund and \$6.3 million in health and Medicaid initiatives state special revenue
- o Medicaid caseload and service utilization - reduction of \$3.4 million, including \$1.7 million general fund, due to ongoing declines in the number of nursing home bed days
- o Increases in the state Medicaid match rate - \$8.4 million general fund
- o Expansion of community waiver services - \$5.3 million total funds, including \$1.3 million general fund and \$0.4 million in health and Medicaid initiatives state special revenue

Nursing home services are the single largest component of the 2009 biennium appropriation for this division totaling \$330.1 million over the biennium, including \$61.7 million general fund and \$41.7 million state special revenue.

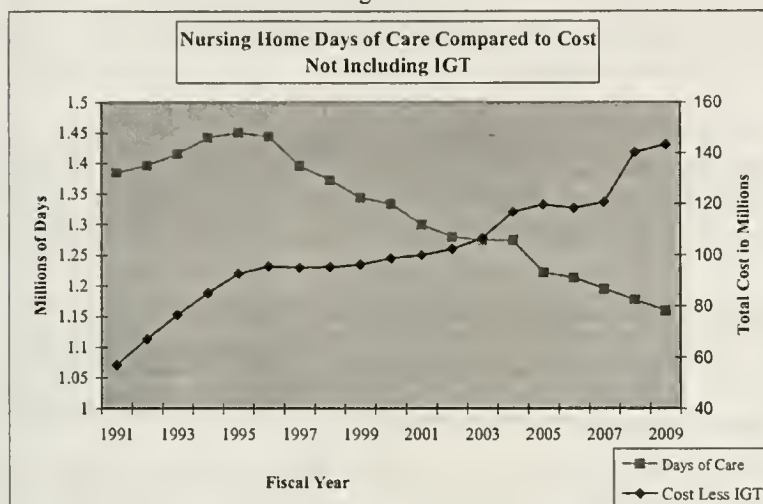
Figure 52

Senior and Long Term Care Division 2009 Biennium Medicaid Services Appropriation by Function and Component

FY 2008					FY 2009					% of Total
Present Law and New Proposals	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total		
Nursing Home Services										
FY 2006 Base Budget	\$28,997,045	\$11,945,550	\$99,233,927	\$140,176,522	\$28,997,045	\$11,945,550	\$99,233,927	\$140,176,522	59.9%	
Intergovernmental County Transfer	0	1,912,098	4,578,392	6,490,490	0	1,912,098	4,578,392	6,490,490	2.8%	
PL22207 - Annualize NH Provider Tax HB 7	\$0	\$2,565,113	\$5,401,391	\$7,966,504	\$0	\$2,505,113	\$5,288,162	\$7,793,275	3.3%	
PL22210 - Nursing Home FMAP Adj.	2,894,405	0	(2,894,405)	0	3,033,599	0	(3,033,599)	0	0.0%	
PL22213 - Nursing Home Caseload Adj.	(1,976,500)	0	(1,382,760)	(3,359,260)	(2,413,868)	0	(2,471,274)	(4,885,142)	-2.1%	
PL22215 - FMAP Change - 1-149	111,741	0	(111,741)	0	117,192	0	(117,192)	0	0.0%	
PL22218 - Annualize Direct Wage Increase	(380,933)	519,324	(138,391)	0	(374,182)	476,173	(101,991)	0	0.0%	
NP22223 - Nursing Home IGT	0	977,007	1,591,700	2,568,707	0	1,733,139	3,051,961	4,785,100	2.0%	
NP22501 - Provider Rate Increase	0	1,112,632	2,431,910	3,544,542	1,097,351	1,137,883	4,891,176	7,126,410	3.0%	
NP22601 - Direct Care Wage Increase	272,996	1,330,136	3,504,010	5,107,142	273,866	1,334,373	3,498,903	5,107,142	2.2%	
NP22605 - IGT Offset	445,977	0	0	445,977	600,000	0	0	600,000	0.3%	
NP22904 - Personal Needs Increase	0	128,071	279,928	407,999	0	128,438	279,431	407,869	0.2%	
Subtotal Appropriation Changes	\$1,367,686	\$6,632,283	\$8,681,642	\$16,681,611	\$2,333,958	\$7,315,119	\$11,285,577	\$20,934,654	9.0%	
Total Nursing Home Appropriation	\$30,364,731	\$20,489,931	\$112,493,961	\$163,348,623	\$31,331,003	\$21,172,767	\$115,097,896	\$167,601,666	71.7%	
Percent Increase Over Base Budget	5%	72%	13%	17%	8%	77%	16%	20%		
Home Based Services - Entitlement										
FY 2006 Base Budget	\$6,111,838	\$1,867,551	\$19,285,169	\$27,264,558	\$6,111,838	\$1,867,551	\$19,285,169	\$27,264,558	11.7%	
PL22211 - Homebased Medicaid FMAP Adj	\$578,956	\$0	(\$578,956)	\$0	\$606,220	\$0	(\$606,220)	\$0	0.0%	
PL22214 - Med. Homebased Caseload Adj.	259,964	0	568,210	828,174	642,540	0	1,397,917	2,040,457	0.9%	
PL22216 - FMAP Change - 1-149	14,651	0	(14,651)	0	15,366	0	(15,366)	0	0.0%	
NP22501 - Provider Rate Increase	0	221,160	481,158	702,318	217,738	239,655	995,109	1,452,502	0.6%	
NP22601 - Direct Care Wage Increase	407,921	0	891,606	1,299,527	409,221	0	890,306	1,299,527	0.6%	
NP22605 - IGT Offset	743,295	0	0	743,295	1,000,000	0	0	1,000,000	0.4%	
NP22902 - Healthcare for Healthcare Workers	0	0	0	0	814,900	0	1,772,906	2,587,806	1.1%	
Subtotal Appropriation Changes	\$2,004,787	\$221,160	\$1,347,367	\$3,573,314	\$3,705,985	\$239,655	\$4,434,652	\$8,380,292	4.2%	
Total Home Based Appropriation	\$8,116,625	\$2,088,711	\$20,632,536	\$30,837,872	\$8,116,625	\$2,107,206	\$23,719,821	\$35,644,850	15.2%	
Percent Increase Over Base Budget	33%	12%	7%	13%	33%	13%	23%	31%		
Community Services Waiver - Nonentitlement										
FY 2006 Base Budget	\$6,595,771	\$395,891	\$16,846,130	\$23,837,792	\$6,595,771	\$395,891	\$16,846,130	\$23,837,792	10.2%	
PL22209 - Annualize Waiver Expansion	(\$419,748)	\$829,669	\$750,433	\$1,160,354	(\$406,035)	\$829,669	\$736,720	\$1,160,354	0.5%	
PL22212 -Medicaid Waiver FMAP Adj.	491,021	0	(491,021)	0	514,859	0	(514,859)	0	0.0%	
PL22217 - FMAP Change - 1-149 Waiver	12,213	0	(12,213)	0	12,809	0	(12,809)	0	0.0%	
PL22220 - Annualize Direct Care Wages	6,994	0	(6,994)	0	7,336	0	(7,336)	0	0.0%	
NP22119 - Waiver Expansion	838,161	0	1,810,894	2,649,055	439,619	410,728	1,798,708	2,649,055	1.1%	
NP22501 - Provider Rate Increase	0	221,968	485,162	707,130	250,012	200,905	981,021	1,431,938	0.6%	
NP22601 - Direct Care Wage Increase	471,118	0	1,029,736	1,500,854	472,619	0	1,028,235	1,500,854	0.6%	
Subtotal Appropriation Changes	\$1,399,759	\$1,051,637	\$3,565,997	\$6,017,393	\$1,291,219	\$1,441,302	\$4,009,680	\$6,742,201	3.4%	
Total Waiver Appropriation	\$7,995,530	\$1,447,528	\$20,412,127	\$29,855,185	\$7,886,990	\$1,837,193	\$20,855,810	\$30,579,993	13.1%	
Percent Increase Over Base Budget	21%	0%	21%	25%	20%	0%	24%	28%		
Total Medicaid Services - Senior and Long Term Care										
Total Medicaid Services Base Budget	\$41,704,654	\$16,121,090	\$139,943,618	\$197,769,362	\$41,704,654	\$16,121,090	\$139,943,618	\$197,769,362	84.6%	
Present Law Annualization-2005 Expansions	(\$793,687)	\$3,914,106	\$6,006,439	\$9,126,858	(\$772,881)	\$3,810,955	\$5,915,555	\$8,953,629	3.8%	
Present Law Adjustments - Caseload/IGT	(1,716,536)	977,007	777,150	37,621	(1,771,328)	1,733,139	1,978,604	1,940,415	0.8%	
Present Law Due to Fed Match Change	4,102,987	0	(4,102,987)	0	4,300,045	0	(4,300,045)	0	0.0%	
New Proposals for Provider Rates	0	1,555,760	3,398,230	4,953,990	1,565,101	1,578,443	6,867,306	10,010,850	4.3%	
New Proposals for Direct Care Wage Incr.	1,152,035	1,330,136	5,425,352	7,907,523	1,155,706	1,334,373	5,417,444	7,907,523	3.4%	
New Proposals for Service Expansion	838,161	0	1,810,894	2,649,055	439,619	410,728	1,798,708	2,649,055	1.1%	
Other New Proposals	1,189,272	128,071	279,928	1,597,271	2,414,900	128,438	2,052,337	4,595,675	2.0%	
Subtotal Appropriation Changes	\$4,772,232	\$7,905,080	\$13,595,006	\$26,272,318	\$7,331,162	\$8,996,076	\$19,729,909	\$36,057,147	15.4%	
Grand Total Annual Appropriation	\$46,476,886	\$24,026,170	\$153,538,624	\$224,041,680	\$49,035,816	\$25,117,166	\$159,673,527	\$233,826,509	100.0%	
Percent Increase Over Base Budget	11%	49%	10%	13%	18%	56%	14%	18%		
Grand Total Biennial Increase					\$12,103,394	\$16,901,156	\$33,324,915	\$62,329,465		

Nursing Home Days of Care

Figure 53



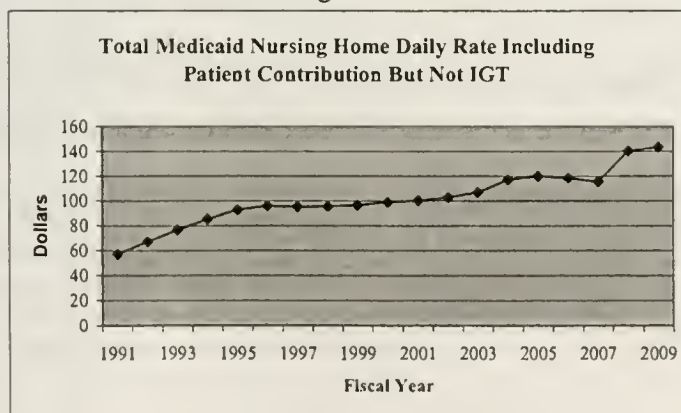
steadily declined since then. In comparison, the total cost has steadily increased because of rate increases and funding mechanisms, including provider taxes, that are used to draw down additional federal Medicaid matching funds and raise nursing home rates. The 2009 biennium appropriation is based on the assumption that days of care decline 0.58 percent per year from the FY 2007 estimate of 1,196,493.

Nursing Home Rate

Figure 54 shows the total daily rate used to estimate the nursing home costs for the 2009 biennium compared to the FY 2007 rate. Adding appropriations for direct care worker and provider rate increases and the estimated amount of patient contribution to the base rate yields an estimated daily rate of \$152.24 in FY 2008 and \$155.31 in FY 2009, which does not include increases that may be added due to the IGT program.

The patient contribution is a portion of reimbursement that is provided by persons with income to apply to the cost of their care. Individuals in this situation would typically spend down their income to a level that they would become Medicaid eligible, at which point Medicaid would cover the balance of costs.

Figure 55



state sources. For instance, IGT revenue provided by county governments declined substantially from FY 2004 to FY

Some of the reduction in Medicaid nursing home bed days is related to steady annual increases in Medicaid home and community based services as well as the proliferation of alternative living situations for seniors available in the private market. The legislature has consistently approved funding increases for the SLTC community based waiver. Some persons served in the expansion left skilled nursing care to be served in the community. If waiver services expansions were curtailed or halted, the historic decline in nursing home services may be reversed or lessened.

Figure 53 shows millions of days of Medicaid paid nursing care services by fiscal year since 1991 compared to the total cost. The days of care peaked in FY 1995, and the number has slowly and

Figure 54
Estimated Daily Nursing Home Rate
by Component

Rate Component	FY 2007	FY 2008	FY 2009
Base Rate	\$96.34	\$103.19	\$102.57
Provider Rate Increase	2.92	2.98	6.03
Direct Care Wage	5.40	4.29	4.32
Provider Tax	16.00	16.00	16.00
Patient Contribution	<u>25.20</u>	<u>25.78</u>	<u>26.40</u>
Total Daily Rate	\$145.86	\$152.24	\$155.31

*Total reimbursement does not include the added amount due to IGT payments.

Source: SLTC, June 8, 2007.

Actual nursing home rates will vary from the estimates shown in Figure 55. Nursing home rates are established just prior to or early in the state fiscal year. At that point, the estimate of days of care is refined as is the estimated patient contribution. Both of those variables are important components of rate making and will influence the final rate paid for nursing home care.

The IGT component of nursing home reimbursement has been viewed as an add on to the legislatively funded rate. The legislature has interpreted nursing home payments funded with IGT to be dependent on the level of funds generated and federal rules governing the payment sources. If the state match generated by IGT is reduced, the reduction is not automatically backfilled from other

2006 due to federal rule changes and the legislature did not set aside funds to offset the reduction in nursing home payments due to the decline.

Figure 55 shows the changes in the daily nursing home rate from 1991 through the estimate for FY 2009. The rate shown does not include additional amounts added due to the IGT program.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					189,670					195,091
Vacancy Savings					(41,883)					(42,100)
Inflation/Deflation					1,087					1,162
Fixed Costs					(8,712)					(8,712)
Total Statewide Present Law Adjustments					\$140,162					\$145,441
DP 22207 - Annualize Nursing Home Provider Tax	0.00	0	2,565,113	5,401,391	7,966,504	0.00	0	2,505,113	5,288,162	7,793,275
DP 22209 - Annualize Waiver Expansion Costs	0.00	(419,748)	829,669	750,433	1,160,354	0.00	(406,035)	829,669	736,720	1,160,354
DP 22210 - Medicaid Nursing Home FMAP Adj	0.00	2,894,405	0	(2,894,405)	0	0.00	3,033,599	0	(3,033,599)	0
DP 22211 - Home Based Medicaid FMAP Adj	0.00	578,956	0	(578,956)	0	0.00	606,220	0	(606,220)	0
DP 22212 - Medicaid Waiver FMAP Adjustment	0.00	491,021	0	(491,021)	0	0.00	514,859	0	(514,859)	0
DP 22213 - Nursing Home Caseload Adjustment	0.00	(1,976,500)	0	(1,382,760)	(3,359,260)	0.00	(2,413,868)	0	(2,471,274)	(4,885,142)
DP 22214 - Medicaid Home Based Svs Caseload Adjustment	0.00	259,964	0	568,210	828,174	0.00	642,540	0	1,397,917	2,040,457
DP 22215 - FMAP Change for I-149 NH Provider Increase	0.00	111,741	0	(111,741)	0	0.00	117,192	0	(117,192)	0
DP 22216 - FMAP Change for I-149 Home Based Provider Increase	0.00	14,651	0	(14,651)	0	0.00	15,366	0	(15,366)	0
DP 22217 - FMAP Change for I 1-149 Waiver Provider Rate Inc	0.00	12,213	0	(12,213)	0	0.00	12,809	0	(12,809)	0
DP 22218 - Annualize Nursing Home Direct Care Wage	0.00	(1,021,218)	1,021,218	0	0	0.00	(1,021,218)	1,021,218	0	0
DP 22219 - FMAP Change - I-149 Home Based Direct Care Wages	0.00	34,149	0	(34,149)	0	0.00	35,815	0	(35,815)	0
DP 22220 - FMAP Change - I-149 Direct Care Wages Med Waiver	0.00	6,994	0	(6,994)	0	0.00	7,336	0	(7,336)	0
DP 22223 - Nursing Home IGT Adjustment	0.00	0	977,007	1,591,700	2,568,707	0.00	0	1,733,139	3,051,961	4,785,100
Total Other Present Law Adjustments										
	0.00	\$986,628	\$5,393,007	\$2,784,844	\$9,164,479	0.00	\$1,144,615	\$6,089,139	\$3,660,290	\$10,894,044
Grand Total All Present Law Adjustments					\$9,304,641					\$11,039,485

DP 22207 - Annualize Nursing Home Provider Tax - The legislature appropriated \$15.7 million total funds over the biennium including \$5.1 million in state special revenue, for the adjustment in the nursing home bed utilization fee. The fee rose from \$7.05 per day in FY 2006 to \$8.30 per day in FY 2007. The FY 2006 provider tax expenditures totaled \$3.5 million in state special revenue, while the FY 2007 revenues are estimated to be \$6.0 million. The tax is used to draw down federal matching funds and increase the daily Medicaid rate paid for nursing home services.

DP 22209 - Annualize Waiver Expansion Costs - The legislature appropriated \$2.3 million over the biennium, including \$1.6 million in health and Medicaid initiatives state special revenue to annualize the expansion of community waiver services authorized by the 2005 Legislature. The appropriation offsets \$0.8 million general fund. The expansion added about 100 additional slots to the waiver. Base level expenditures were \$23.8 million, supported 1,529 slots, and served 1,938 people.

DP 22210 - Medicaid Nursing Home FMAP Adj - The legislature approved \$5.9 million general fund over the biennium and reduced federal funds by the same amount due to a reduction in the federal Medicaid match rate to maintain base budget nursing home services funding. The Montana state match rate changes from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

DP 22211 - Home Based Medicaid FMAP Adj - The legislature appropriated \$1.2 million general fund over the biennium and reduced federal funds by the same amount due to a reduction in the federal Medicaid match rate. The required state match changes from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

DP 22212 - Medicaid Waiver FMAP Adjustment - The legislature increased general fund appropriations by \$1.0 million over the biennium and reduced federal funds by the same amount due to a reduction in the federal Medicaid match rate to maintain base funding for community waiver services. The required state match changes from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009.

DP 22213 - Nursing Home Caseload Adjustment - The legislature reduced nursing home appropriations by \$8.2 million total funds over the biennium including \$4.4 million in general fund due anticipated reductions in the number of days of care compared to the FY 2006 base budget.

DP 22214 - Medicaid Home Based Svs Caseload Adjustment - The legislature funded anticipated caseload growth for Medicaid home based services, which includes personal care/personal assistance, home health, and the hospice program, at an estimated cost of about \$3.1 million total funds, including \$1.3 million general fund over the biennium.

DP 22215 - FMAP Change for I-149 NH Provider Increase - The legislature added \$0.2 million in general fund over the biennium and reduced federal funds by a like amount. The Montana state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009. The executive budget requested health and Medicaid initiatives funds for the match rate change, but general fund was appropriated instead due to a statutory compliance issue raised by LFD staff, since health and Medicaid initiative funds cannot be used to fund the traditional trended level of Medicaid benefits.

DP 22216 - FMAP Change for I-149 Home Based Provider Increase - The legislature added about \$30,000 general fund over the biennium and reduced federal funds by a like amount. The Montana state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009. The executive budget requested health and Medicaid initiatives funds for the match rate change, but general fund was appropriated instead due to a statutory compliance issue raised by LFD staff, since health and Medicaid initiative funds cannot be used to fund the traditional trended level of Medicaid benefits.

DP 22217 - FMAP Change for I 1-149 Waiver Provider Rate Inc - The legislature added about \$25,000 in general fund over the biennium and reduced federal funds by a like amount. The Montana state match rate increases from 29.34 percent in FY 2006 to 31.39 percent in FY 2008 and to 31.49 percent in FY 2009. The executive budget requested health and Medicaid initiatives funds for the match rate change, but general fund was appropriated instead due to a statutory compliance issue raised by LFD staff, since health and Medicaid initiative funds cannot be used to fund the traditional trended level of Medicaid benefits.

DP 22218 - Annualize Nursing Home Direct Care Wage - This appropriation shifts the full cost of the direct care wage increase authorized by the 2005 Legislature from general fund (nearly a \$2.0 million decrease over the biennium) to cigarette tax state special revenue which increases by a like amount. This shift represents the amount of health and Medicaid initiatives account funds appropriated by the legislature to support the cost of the wage increase in FY 2007.

DP 22219 - FMAP Change - I-149 Home Based Direct Care Wages - The legislature appropriated about \$70,000 general fund and reduced federal funds by a like amount to annualize direct care worker wage increases authorized by the 2005 Legislature and account for the federal Medicaid match rate change. The executive budget requested health and Medicaid initiatives funds for the match rate change, which was raised as a statutory compliance issue by LFD staff, since those funds cannot be used to fund the traditional trended level of Medicaid benefits.

DP 22220 - FMAP Change - I-149 Direct Care Wages Med Waiver - The legislature added about \$14,000 general fund and that reduced federal funds by a like amount to annualize direct care worker wage increases authorized by the 2005 Legislature and to account for the federal Medicaid match rate change. The executive budget requested health and Medicaid initiatives funds for the match rate change, which was raised as a statutory compliance issue by LFD staff, since those funds cannot be used to fund the traditional trended level of Medicaid benefits.

DP 22223 - Nursing Home IGT Adjustment - The legislature approved the executive request for \$7.3 million over the biennium, with the state share coming from local county resources, to fund increases in county nursing home intergovernmental transfer payments (IGT). This program allows counties to transfer a portion of the funds used to support county nursing homes to DPHHS. The transferred funds are applied as Medicaid match to draw down additional federal Medicaid funds and raise the daily nursing home reimbursement. The appropriation is restricted and may only be used for the county nursing home IGT. The legislature anticipates that proposed federal rules may impact the Montana IGT program as explained in DP 22605 IGT Offset.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22119 - Waiver Expansion										
01	0.00	838,161	0	1,810,894	2,649,055	0.00	439,619	410,728	1,798,708	2,649,055
DP 22501 - Provider Rate Increases										
01	0.00	0	1,555,760	3,398,230	4,953,990	0.00	1,565,101	1,578,443	6,867,306	10,010,850
DP 22601 - Direct Care Worker Wage Increases - Restricted										
01	0.00	1,152,035	1,330,136	5,425,352	7,907,523	0.00	1,155,706	1,334,373	5,417,444	7,907,523
DP 22605 - IGT Offset										
01	0.00	1,189,272	0	0	1,189,272	0.00	1,600,000	0	0	1,600,000
DP 22902 - Healthcare for Healthcare Workers										
01	0.00	0	0	0	0	0.00	814,900	0	1,772,906	2,587,806
DP 22904 - Personal Needs Increase										
01	0.00	0	128,071	279,928	407,999	0.00	0	128,438	279,431	407,869
Total	0.00	\$3,179,468	\$3,013,967	\$10,914,404	\$17,107,839	0.00	\$5,575,326	\$3,451,982	\$16,135,795	\$25,163,103

DP 22119 - Waiver Expansion - The legislature appropriated \$5.3 million total funds over the biennium, including \$1.2 million general fund and \$0.4 million state special revenue from the health and Medicaid initiatives account, to expand the Medicaid Home and Community Based Waiver program (HCBS). This expansion will add about 100 new service slots for individuals waiting to access community services in home or assisted living settings, supported living, or heavy care slots such as ventilator or traumatic brain injury services.

To be eligible for the waiver program an individual must be elderly or disabled, Medicaid eligible, and require nursing facility or hospital level of care. The majority of the recipients served meet the nursing facility level of care criteria. Because the waiver is not an entitlement, the program has waiting lists, which require that some eligible people wait for services until additional resources are appropriated by the legislature.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: There are about 600 individuals on the waiver service waiting list. Historically, the waiting list has fluctuated between 450 to 600 individuals on it at any given point in time and is expected to grow as the aging population grows.

Goal: Increase the number of individuals served under the Medicaid home and community waiver by at least 102 over the biennium.

Performance Criteria: 102 individuals will be provided the opportunity to transition to waiver services and will be removed from the waiting list. SLTC staff will monitor performance and modify transition plans based on availability of funding and needs of individuals served.

Milestones: Effective July 1, 2007 begin transition of 102 individuals into community service placements under the waiver program.

FTE: No additional FTE will be required.

Funding: The funding is at the Medicaid match rate of about 31 percent state funds to about 69 percent federal funds.

Obstacles: One of the most difficult policy questions is how to expand assisted living services without creating a highly desirable publicly funded service that could reduce the incentive people have to meet their own long term care needs. Due to the increasing demands for community based services the movement of individuals from the waiting list may result in only a temporary reduction to the waiting list.

Risk: If individuals do not have access to necessary community based services they are at risk of placement in a nursing facility or hospital placement. Or, if persons are currently residing in a nursing facility or hospital, they may have little choice of alternative placements without the resources to develop appropriate community service plans.

DP 22501 - Provider Rate Increases - The legislature appropriated \$15.5 million over the biennium for SLTC division provider rate increases, with \$2.0 million in general fund and \$3.1 million in state matching funds from the health and Medicaid initiatives account for a 2.5 percent provider rate increase each year of the biennium. This amount is above the executive budget, which included a rate increase of 2.5 percent in FY 2008 only.

The provider rate increase is allocated between Medicaid and aging services. The Medicaid services portion of the rate increase is \$15.0 million total funds, including \$1.4 million general fund and \$3.1 million health and Medicaid initiatives state special revenue. The aging services portion of the rate increase is \$0.6 million general fund over the biennium.

DP 22601 - Direct Care Worker Wage Increases - Restricted - The legislature added \$15.2 million total funds, including \$2.3 million general fund and \$2.7 million state special revenue from the health and Medicaid initiatives account, to increase direct care worker wages to \$8.50 per hour, including benefits, for certified nurse aides and personal care attendants and increase wages of other direct care workers by up to \$.70 per hour, including benefits such as federal and state income taxes and workers' compensation costs. The funds may not be used for any other purpose. This appropriation is a legislative initiative and was not included in the executive budget request.

Providers accepting funds from this appropriation agree to increase wages to \$8.50 and then use the balance of funds to provide wage increases to all direct care workers. The bill includes language to restrict these funds from being used to supplant wage increases negotiated or specified in other written agreements. A table showing the amount appropriated for direct care worker wage increases by program is included in the agency narrative.

DP 22605 - IGT Offset - The legislature added \$2.8 million general fund to offset county nursing home intergovernmental transfer (IGT) state special revenue used as state Medicaid match for nursing home services and home based services, contingent on federal rule changes that would prohibit or restrict the use of IGT funds as state match or if the IGT program does not remain viable. Viable is defined as receiving enough county funds for the transfer sufficient to cover the Medicaid match and support a daily payment of \$5 to county nursing homes and \$2 to all other nursing homes. In FY 2009, \$1.0 million of the IGT offset is appropriated for home based services and \$0.6 million is appropriated for nursing home services.

DP 22902 - Healthcare for Healthcare Workers - The legislature appropriated \$1.7 million total funds, including \$0.8 million general fund, in FY 2009 for a provider rate increase for agencies that deliver Medicaid personal assistance and private duty nursing services when those agencies provide their employees with health insurance coverage that meets a set of defined criteria. Direct care workers that work 30 hours or more will be able to participate in this insurance incentive program. The rate increase will be implemented January 1, 2009.

DP 22904 - Personal Needs Increase - The legislature approved the executive request for \$256,509 tobacco trust interest funds and matching federal Medicaid funds over the biennium to provide to raise the personal needs allowance for nursing facility residents from \$40.00 per month to \$50.00 per month. Personal needs funds are used by residents to purchase personal items that are not covered under the nursing facility reimbursement such as postage, cards, gifts and beauty shop services for residents.

Sub-Program Details

VETERANS 02

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	124.01	0.00	5.80	129.81	0.00	5.80	129.81	129.81
Personal Services	4,830,497	627,890	160,401	5,618,788	704,838	161,106	5,696,441	11,315,229
Operating Expenses	4,136,949	825,574	180,000	5,142,523	822,886	165,000	5,124,835	10,267,358
Equipment	100,165	0	40,000	140,165	0	0	100,165	240,330
Debt Service	9,741	3,030	0	12,771	3,300	0	13,041	25,812
Total Costs	\$9,077,352	\$1,456,494	\$380,401	\$10,914,247	\$1,531,024	\$326,106	\$10,934,482	\$21,848,729
State/Other Special	5,949,799	1,409,379	380,401	7,739,579	1,442,795	326,106	7,718,700	15,458,279
Federal Special	3,127,553	47,115	0	3,174,668	88,229	0	3,215,782	6,390,450
Total Funds	\$9,077,352	\$1,456,494	\$380,401	\$10,914,247	\$1,531,024	\$326,106	\$10,934,482	\$21,848,729

Veterans' services receive 4.2 percent of the FY 2009 division appropriation. The program administers the two veterans' homes. The Montana Veterans' Home (MVH-Columbia Falls) is staffed by state employees and operation of the Eastern Montana Veterans' Home (Glendive) is contracted, with 1.00 FTE state program administrator to oversee the contract. Figure 56 shows the total appropriation for each veterans' home compared to base budget expenditures, the estimated average daily population, and the annual cost per day of care.

Present law adjustments add about \$3.0 million in over the biennium and new proposals add \$0.7 million and 5.80 new FTE. Except for \$55,000 in FY 2008, all of the requests for increased funding support MVH.

The most significant change is in operating costs for inflation in utility and food expenses as well as several upgrades to equipment and the MVH facility. Personal services rise due to funding for 5.80 new FTE for the Special Care Unit at MVH, statewide present law adjustments that fully fund FTE, adjustments for overtime pay, and reclassification of nursing positions from pay plan 60 to pay plan 20 (broad band).

As noted in the division funding section, legislative appropriations from cigarette tax revenues allocated to the operation of the veterans' homes impact general fund revenues. Statute allocates the greater of 8.3 percent or \$2 million in cigarette tax revenues to the veterans' homes and ending balances above \$2 million are transferred to the general fund.

Figure 56 Senior and Long Term Care Veterans' Home Budget FY 2006 Base Expenditures and 2009 Biennium Appropriation			
Item/Cost/Funding	Actual FY 2006	Legislative Appropriation	
		FY 2008	FY 2009
Montana Veterans' Home			
FTE	123.01	128.81	128.81
Personal Services*	\$4,781,389	\$5,568,573	\$5,646,173
All Other	2,863,817	3,312,900	3,859,397
Total Cost	\$7,645,206	\$9,428,875	\$9,505,570
State Special Revenue	\$5,640,906	\$7,377,460	\$7,413,041
Federal	2,004,300	2,051,415	2,092,529
Population	106	106	106
Annual Cost Per Person	\$72,125	\$88,952	\$89,675
Cost Per Day	\$198	\$244	\$246
Annual Increase		23.3%	0.8%
Annual Per Person Funding			
State Special Revenue	\$53,216	\$69,599	\$69,934
Annual Increase		30.8%	0.5%
Federal Funds	\$18,908	\$19,353	\$19,741
Annual Increase	7.9%	2.4%	2.0%
Eastern MT Veterans' Home			
FTE	1.00	1.00	1.00
Personal Services*	\$49,108	\$50,215	\$50,268
All Other	1,383,038	1,435,157	1,378,644
Total Cost	\$1,432,146	\$1,485,372	\$1,428,912
State Special Revenue	\$308,893	\$362,119	\$305,659
Federal	1,123,253	1,123,253	1,123,253
Population	55	55	55
Annual Cost Per Person	\$26,039	\$27,007	\$25,980
Cost Per Day	\$71	\$74	\$71
Annual Increase		3.7%	-3.8%
Annual Per Person Funding			
State Special Revenue	\$5,616	\$6,584	\$5,557
Annual Change		17.2%	-15.6%
Federal Funds	\$20,423	\$20,423	\$20,423
Annual Change	0.2%	0.0%	0.0%
*Personal services costs do not include the 2009 biennium pay plan, so 2009 biennium costs are understated.			

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				471,602					522,436
Vacancy Savings				(212,082)					(214,118)
Inflation/Deflation				41,162					48,962
Fixed Costs				(3,074)					6,825
Total Statewide Present Law Adjustments				\$297,608					\$364,105
DP 22205 - Montana Veterans' Home Expense Adjustments									
0.00	0	908,886	0	908,886	0.00	0	916,919	0	916,919
DP 22909 - Montana Veterans' Home Contingency Fund Line Item									
0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Total Other Present Law Adjustments									
0.00	\$0	\$1,158,886	\$0	\$1,158,886	0.00	\$0	\$1,166,919	\$0	\$1,166,919
Grand Total All Present Law Adjustments				\$1,456,494					\$1,531,024

DP 22205 - Montana Veterans' Home Expense Adjustments - The legislature added \$1.8 million over the biennium from cigarette tax state special revenue funds to provide for adjustments in operating costs for overtime, holiday pay, differential pay, and increases in food costs, utilities and other supplies at MVH. Overtime costs of \$0.8 million are the most significant component of the appropriation.

DP 22909 - Montana Veterans' Home Contingency Fund Line Item - The legislature continued the restricted Montana Veterans' Home Contingency Fund appropriation included in HB 2 by the 2005 Legislature for \$250,000 state special revenue from state special revenue each year of the biennium. These funds may be used only subject to a determination by the Office of Budget and Program Planning that federal and/or state special revenue appropriations are insufficient to operate the Veterans' Home in Columbia Falls in order to maximize the draw down of federal funds. This appropriation was authorized in both the 2003 and 2005 Legislatures.

New Proposals

New Proposals										
-----Fiscal 2008-----										
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - EMVH Resident Bus Replacement - OTO										
02	0.00	0	40,000	0	40,000	0.00	0	0	0	0
DP 22103 - MVH Facility Upgrades - OTO										
02	0.00	0	165,000	0	165,000	0.00	0	165,000	0	165,000
DP 22105 - MVH Special Care Unit Staff										
02	5.20	0	137,862	0	137,862	5.20	0	138,421	0	138,421
DP 22106 - MVH Pharmacy Clerk										
02	0.60	0	22,539	0	22,539	0.60	0	22,685	0	22,685
DP 22107 - EMVH Fire Alarm System - OTO										
02	0.00	0	15,000	0	15,000	0.00	0	0	0	0
DP 22603 - Increase Third Party Revenue - MVH										
02	0.00	0	0	0	0	0.00	0	0	0	0
Total	5.80	\$0	\$380,401	\$0	\$380,401	5.80	\$0	\$326,106	\$0	\$326,106

DP 22101 - EMVH Resident Bus Replacement - OTO - This appropriation provides one-time-only funding from the cigarette tax state special revenue funds of \$40,000 to replace a bus, which is used to transport residents of the Eastern

Montana Veterans' Home in Glendive. The EMVH is soliciting donations from charitable and veterans' groups to help offset a portion of the cost of this bus.

DP 22103 - MVH Facility Upgrades - OTO - The legislature authorized a one-time-only appropriation \$330,000 cigarette tax state special revenue funds over the biennium for facility upgrades at MVH. These upgrades will include replacing 80 beds with adjustable hi-lo electric beds to reduce back injuries suffered by caregivers. The appropriation also includes \$120,000 per year to remodel MVH bathrooms to replace countertops, cabinets, toilets, sinks and flooring.

DP 22105 - MVH Special Care Unit Staff - The legislature provided funding for additional staff for the Special Care Unit (SCU) at MVH. The 15-bed SCU is at full occupancy with a waiting list. Because many of the clients are in advanced stages of dementia, MVH has been experiencing a greater number of patient accidents in this unit. This appropriation supports one additional certified nurse aide (CNA) for two shifts seven days a week (3.20 FTE), one activities aide for one shift seven days a week (1.60 FTE) and a housekeeper on the weekends for the SCU (0.40 FTE). The total cost for these FTE is about \$140,000 per year and would be funded from the cigarette tax state special revenue fund.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Additional CNA staffing and additional activities staff resources would provide more one-on-one supervision and direction of the SCU residents and more tailored and focused activities that are designed specifically for residents with dementia and complex care needs. The additional house keeping staff would provide more resources on weekends, to avoid pulling staff from the main floor to the SCU, in order to maintain facility cleanliness and infection control requirements.

Goal: Assure mandated staffing levels are maintained; provide quality of care to residents; maintain health and safety of residents; reduce the risk of accidents and injuries; and maintain facility cleanliness.

Performance Criteria:

- o Compliance with survey requirements related to staffing levels, infection control and cleanliness
- o Reduction in the number of patient accidents/injuries in SCU as part of the 2008 annual survey of the facility by Quality Assurance Division, Certification Bureau in DPHHS and the Veterans' Administration survey.

Milestones: Compliance with health and safety standards, staffing requirements and reduction of accidents as determined by the 2008 annual health survey conducted by DPHHS and the Veterans' Administration.

FTE: One additional Certified Nursing Assistant (CNA) for two shifts seven days a week (3.2 FTE), one activities aide for one shift seven days a week (1.6 FTE), and one housekeeper on the weekends (0.4 FTE) for the SCU. If these staff resources are not approved the facility will continue the current process of reallocation of existing staff resources and will use more expensive agency and temporary staff to assure that quality care is provided to meet resident care needs on a 24/7 basis, which may result in additional costs to the facility .

Funding: This proposal is funded from the cigarette tax state special revenue account.

Obstacles: Recruitment and retention of qualified staff in the Flathead Valley for staffing support of higher acuity residents in a SCU environment is a challenge. Even with the ability to increase wages to be more competitive, the facility may find it difficult to find enough qualified staff to fill these positions.

Risk: Without these additional SCU staff resources the facility assumes the potential risk of increased accidents for a population that has an inherently higher risk for injury and accidents. The facility assumes risk of survey deficiencies related to staffing, activities, and infection control by the state certification bureau if additional resources are not available. Additionally, the facility will not be able to provide the highest level of quality care to facility residents.

DP 22106 - MVH Pharmacy Clerk - The legislature funded a 0.60 FTE pharmacy clerk at MVH. This position will be responsible to collect data used in Medicare and Medicaid reimbursement as related to the new Medicare Part D prescription drug program. This appropriation (about \$23,000 each fiscal year) is from cigarette tax state special revenue.

DP 22107 - EMVH Fire Alarm System - OTO - This one-time-only appropriation adds \$15,000 from cigarette tax state special revenue to upgrade the fire alarm system at the Eastern Montana Veterans' Home in Glendive.

DP 22603 - Increase Third Party Revenue - MVH - The legislature increased the amount appropriated for third party revenue, including private and insurance payments, for the Montana Veterans' Home. The increase - \$3.4 million over the biennium - directly offsets cigarette tax revenue, which increases the transfer from the cigarette tax ending fund balance to the general fund by a like amount. Statute requires that amounts in excess of \$2.0 million ending fund balance in the cigarette tax fund allocated to the veterans' homes be transferred to the general fund at fiscal year end.

Sub-Program Details

AGING 03

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	8.00	0.00	2.00	10.00	0.00	2.00	10.00	10.00
Personal Services	406,308	18,723	88,040	513,071	20,811	88,124	515,243	1,028,314
Operating Expenses	299,611	3,943	6,000	309,554	6,536	2,600	308,747	618,301
Grants	7,160,481	0	1,792,000	8,952,481	0	1,192,000	8,352,481	17,304,962
Benefits & Claims	963,994	22,560	1,494,730	2,481,284	45,120	1,818,745	2,827,859	5,309,143
Total Costs	\$8,830,394	\$45,226	\$3,380,770	\$12,256,390	\$72,467	\$3,101,469	\$12,004,330	\$24,260,720
General Fund	2,106,765	28,527	3,286,730	5,422,022	54,472	3,010,745	5,171,982	10,594,004
Federal Special	6,723,629	16,699	94,040	6,834,368	17,995	90,724	6,832,348	13,666,716
Total Funds	\$8,830,394	\$45,226	\$3,380,770	\$12,256,390	\$72,467	\$3,101,469	\$12,004,330	\$24,260,720

The aging function administers grants for community services managed by local agencies, and the contract for payment of the state supplement and the monthly supplement amount for persons eligible for Social Security Insurance payments due to their disability and low income. The 2009 biennium budget appropriation is \$6.5 million, including \$6.3 million general fund, above the FY 2006 base budget doubled.

The legislature approved each executive budget request for aging services - \$2.0 million general fund to continue aging meal services and in-home care giver grants that had been funded as one-time-only appropriations in the 2007 biennium as well as providing a \$0.3 million increase for meals, and \$0.2 million in federal grant funds for 3.00 new FTE for an additional ombudsman, an additional health insurance assistant, and an FTE to administer a federal Alzheimer's grant.

The legislature, at its own initiative, also appropriated \$3.7 million general fund for aging community services, and a higher provider rate increase than recommended by the executive. \$3.0 million of the additional general fund is for the 2009 biennium only, while the balance will be considered part of the base budget and ongoing.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					36,434					38,608
Vacancy Savings					(17,711)					(17,797)
Inflation/Deflation					1,543					1,736
Total Statewide Present Law Adjustments					\$20,266					\$22,547
DP 22208 - State Supplement Caseload Increase										
	0.00	24,960	0	0	24,960	0.00	49,920	0	0	49,920
Total Other Present Law Adjustments	0.00	\$24,960	\$0	\$0	\$24,960	0.00	\$49,920	\$0	\$0	\$49,920
Grand Total All Present Law Adjustments					\$45,226					\$72,467

DP 22208 - State Supplement Caseload Increase - The legislature funded the projected cost for caseload and administrative cost increases in state supplemental payments for 20 individuals who would transfer from institutional disability services to community programs. This increase totals \$24,960 general fund for FY 2008 and \$49,920 general fund for FY 2009. Base expenditures were \$1,073,749 general fund.

The monthly state supplemental payment is \$94 and the state pays a \$10 administrative fee to the Social Security Administration to process the payment. About 860 persons received a monthly supplemental payment in FY 2006.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22108 - Additional Aging Ombudsman Position										
03	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22109 - Elderly Meal Programs										
03	0.00	692,000	0	0	692,000	0.00	692,000	0	0	692,000
DP 22110 - Continue Aging In-Home Caregiver Program										
03	0.00	600,000	0	0	600,000	0.00	0	0	0	0
DP 22112 - Additional SHIP FTE for Aging Services										
03	1.00	0	0	47,020	47,020	1.00	0	0	45,362	45,362
DP 22501 - Provider Rate Increases										
03	0.00	123,083	0	0	123,083	0.00	447,098	0	0	447,098
DP 22604 - Aging Services Increase										
03	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
DP 22606 - Aging Services (OTO)										
03	0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000
Total	2.00	\$3,286,730	\$0	\$94,040	\$3,380,770	2.00	\$3,010,745	\$0	\$90,724	\$3,101,469

DP 22108 - Additional Aging Ombudsman Position - The legislature appropriated about \$92,400 federal funds over the biennium for 1.00 FTE aging services ombudsman. Currently, there is a single full time position to oversee the long term care ombudsman program. Ombudsman advocate for residents' rights in nursing facilities and community-based settings, such as assisted living, which are increasingly popular long term care alternatives. The number of elderly individuals accessing these services is increasing. The additional staff position will allow the program to increase oversight.

DP 22109 - Elderly Meal Programs - The legislature added \$692,000 general fund each year over the biennium to support aging programs and grants administered by Area Agencies on Aging. The 2005 Legislature appropriated \$567,000 of general fund each year of the 2007 biennium, but designated the appropriation as one time only (OTO), so it was removed from the base budget. This adjustment restores the appropriation and increases it by \$125,000 each year.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The 2005 Legislature approved \$567,000 of OTO general fund to the aging program for grants to local Area Agencies on Aging for Meals on Wheels, congregate feeding programs and other programs for the elderly in the community.

Goal: Allow local communities to provide services to elderly Montanans to help them maintain quality of life and remain independent.

Performance Criteria: The services to be provided include meals, in-home services (such as homemaker, home chore, personal care, skilled nursing), access services (such as transportation, information and assistance, shopping assistance), and senior centers. The units of service that have been provided and would continue to be provided with these funds include:

- o Congregate meals --- 15,400 units of service
- o Home delivered meals --- 35,000 units of service
- o In-Home services --- 8,000 units of service
- o Access services --- 7,500 units of service

FTE: No additional FTE would be required.

Funding: Funding for this proposal is 100 percent general fund.

Milestones: Continuation of these funds would allow the department to maintain programs at the current level of effort.

Obstacles: The major obstacle facing these programs would be the loss of services to the elderly if these funds are reduced or not appropriated. Overall meal costs have been increasing over the last five years resulting in fewer meals that can be served if the funding level does not keep pace with the increase in the number of elderly using these services.

Risk: Without continued funding, there will be a reduction in the numbers of in-home services provided. A reduction or elimination of services could place many elders at risk and may lead to more institutional care.

DP 22110 - Continue Aging In-Home Caregiver Program - The legislature appropriated \$600,000 in general fund over the biennium for Area Agencies on Aging to provide in-home caregiver services to elderly citizens residing in their homes. These funds were approved as a one-time-only appropriation in the 2007 biennium.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: The 2005 Legislature appropriated \$600,000 general fund as a biennial, restricted, one-time-only appropriation to support in-home caregiver services to contract with local providers. SLTC was prohibited from spending the appropriation for Medicaid matching funds. These funds were passed through to Area Agencies on Aging to provide in home caregiver services to elderly citizens residing in their homes.

Goal:

- o Continue to provide in-home services and assistance to caregivers of the elderly as well as to those elderly who are involved in giving care and support to their disabled child and to persons providing support to those with or those who are taking care of someone who has Alzheimer's disease.
- o Maintain the current level of caregiver services in the 2009 biennium

Performance Criteria: Continuation of these funds would provide:

- o Respite Care Services --- 6,000 units of service
- o Personal Care Services --- 2,000 units of service
- o Homemaker Services ---- 1,200 units of service
- o Adult Day Care --- 600 units of service
- o Transportation --- 100 units
- o Skilled Nursing ---- 50 units of service
- o Other services are to provide caregivers information, assistance and information about options available to them

Milestones: Continuation of these funds will allow SLTC to maintain care giver services at the current level of effort.

FTE: No additional FTE resources required.

Funding: This proposal is funded entirely from the general fund.

Obstacles: The major obstacle facing the program is finding quality health care workers in rural frontier counties to provide caregiver services.

Risk: Studies have indicated that without support, caregivers, especially if they are the sole caregiver for a spouse or loved one, usually end up needing more critical care than the one receiving care. If these funds are not continued, in-home caregiver services to elderly citizens residing in their homes will be reduced.

DP 22112 - Additional SHIP FTE for Aging Services - The legislature added about \$92,400 federal funds over the biennium for 1.00 FTE in the Aging Services Bureau for the State Health Insurance Program (SHIP). Current level funding supports 1.00 FTE in SHIP to act as the primary contact point in state government for persons with questions about Medicaid, Medicare, VA benefits for elderly citizens and the new Medicare prescription drug program (Part D), and other elder health related issues. The current FTE travels extensively to provide on-site presentations throughout the state.

DP 22501 - Provider Rate Increases - The legislature appropriated \$15.5 million over the biennium for SLTC division provider rate increases, with \$2.0 million in general fund and \$3.1 million in state matching funds from the health and Medicaid initiatives account for a 2.5 percent provider rate increase each year of the biennium. This amount is above the executive budget, which included a rate increase of 2.5 percent in FY 2008 only.

The provider rate increase is allocated between Medicaid and aging services. The Medicaid services portion of the rate increase is \$15.0 million total funds, including \$1.4 million general fund and \$3.1 million health and Medicaid initiatives state special revenue. The aging services portion of the rate increase is \$0.6 million general fund over the biennium.

DP 22604 - Aging Services Increase - The legislature appropriated \$0.7 million general fund above the amount of funds requested in the executive budget for an increase in aging services and restricted the use of funds for aging services. This appropriation will become part of the base budget in the next biennium.

DP 22606 - Aging Services (OTO) - The legislature appropriated \$3.0 million general fund over the biennium for additional aging services such as meals, and in-home assistance. The appropriation is made for the 2009 biennium only.

Sub-Program Details

SLTC DIVISION ADMINISTRATION 04

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	264,420	(6,959)	320,171	577,632	(6,208)	724,226	982,438	1,560,070
Operating Expenses	85,849	6,787	0	92,636	9,204	0	95,053	187,689
Benefits & Claims	0	0	0	0	0	100,000	100,000	100,000
Total Costs	\$350,269	(\$172)	\$320,171	\$670,268	\$2,996	\$824,226	\$1,177,491	\$1,847,759
General Fund	156,580	(11)	94,971	251,540	1,401	211,955	369,936	621,476
State/Other Special	48,280	114	142,618	191,012	565	431,817	480,662	671,674
Federal Special	145,409	(275)	82,582	227,716	1,030	180,454	326,893	554,609
Total Funds	\$350,269	(\$172)	\$320,171	\$670,268	\$2,996	\$824,226	\$1,177,491	\$1,847,759

The SLTC division administration budget request grows \$1.1 million over the biennium, including \$0.3 million general fund, compared to base budget expenditures. Division administration costs are allocated across all division functions and the budget request maintains the base year funding distribution in the 2009 biennium request.

The 2009 biennium division pay plan appropriation (\$1.0 million total funds, including \$0.3 million general fund) is allocated to this function, but will be distributed across all division programs. The majority of the pay plan appropriation supports MVH and APS staff since those two functions have proportionally more staff than other division functions.

In addition to the pay plan appropriation, the other new proposal approved by the legislature is a one-time appropriation of \$0.1 million of state special revenue to fund community services that refer persons with traumatic brain injury to appropriate recovery services.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
	Fiscal 2008					Fiscal 2009			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
Personal Services					3,768				4,551
Vacancy Savings					(10,727)				(10,759)
Inflation/Deflation					95				99
Fixed Costs					7,429				9,853
Total Statewide Present Law Adjustments					\$565				\$3,744
DP 6015 - State Motor Pool Change									
	0.00	(242)	0	(495)	(737)	0.00	(245)	0	(748)
Total Other Present Law Adjustments									
	0.00	(\$242)	\$0	(\$495)	(\$737)	0.00	(\$245)	\$0	(\$748)
Grand Total All Present Law Adjustments					(\$172)				\$2,996

DP 6015 - State Motor Pool Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Sub Program	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	91,549	138,780	80,508	310,837	0.00	208,735	327,848	178,306	714,889
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
04	0.00	3,422	3,838	2,074	9,334	0.00	3,220	3,969	2,148	9,337
DP 22905 - Resource Facilitation Service - TBI (Rstrd/OTO)										
04	0.00	0	0	0	0	0.00	0	100,000	0	100,000
Total	0.00	\$94,971	\$142,618	\$82,582	\$320,171	0.00	\$211,955	\$431,817	\$180,454	\$824,226

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent pay increase in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of funds for pay plan costs.

The total division pay plan allocation is included in DP 6013. It will be allocated among subprograms during the 2009 biennium.

DP 6014 - Retirement Employer Contributions-HB 63 and HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution and will be allocated across all division functions.

DP 22905 - Resource Facilitation Service - TBI (Rstrd/OTO) - The legislature appropriated \$100,000 of tobacco settlement trust interest in FY 2009 to support a resource facilitation service for persons with a traumatic brain injury. The appropriation is made for one year only and must be used to fund community based entities that assist persons with a traumatic brain injury to access services and resources that aid recovery from their injuries. It was started with federal grant funds.

Sub-Program Details

ADULT PROTECTIVE SERVICES 05

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	39.75	0.00	1.50	41.25	0.00	1.50	41.25	41.25
Personal Services	1,798,321	219,436	71,698	2,089,455	224,947	71,784	2,095,052	4,184,507
Operating Expenses	338,283	89,690	3,000	430,973	100,086	1,300	439,669	870,642
Benefits & Claims	39,665	0	0	39,665	0	0	39,665	79,330
Total Costs	\$2,176,269	\$309,126	\$74,698	\$2,560,093	\$325,033	\$73,084	\$2,574,386	\$5,134,479
General Fund	1,537,303	307,590	0	1,844,893	322,196	0	1,859,499	3,704,392
State/Other Special	244,240	(745)	74,698	318,193	(743)	73,084	316,581	634,774
Federal Special	394,726	2,281	0	397,007	3,580	0	398,306	795,313
Total Funds	\$2,176,269	\$309,126	\$74,698	\$2,560,093	\$325,033	\$73,084	\$2,574,386	\$5,134,479

The Adult Protective Services (APS) program is responsible for the investigation of abuse, neglect, and exploitation of adults. Additionally, the program has about \$40,000 annually to help provide emergency services such as temporary lodging and cleaning. The majority of FTE in the program are adult protective services social workers.

The APS appropriation shows a net increase of about \$0.9 million, primarily in general fund, over the biennium. The most significant increase results from adjustments to base budget personal services that add about \$400,000 over the biennium largely due to reclassification of APS social worker positions. About \$158,000 in lien and estate recovery state special revenue is added over the biennium to fund 1.50 new FTE. Other components of the budget are funded almost entirely by general fund and pay for maintenance of a new computer data base (about \$105,000), replacement cars (about \$48,000), and rent increases (about \$24,000).

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					303,508					309,250
Vacancy Savings					(84,072)					(84,303)
Inflation/Deflation					8,380					8,829
Fixed Costs					(7,213)					(7,213)
Total Statewide Present Law Adjustments					\$220,603					\$226,563
DP 6015 - State Motor Pool Change	0.00	(2,385)	0	(86)	(2,471)	0.00	(2,373)	0	(86)	(2,459)
DP 22201 - SLTC Field Office Rent Adjustment	0.00	10,909	0	4,005	14,914	0.00	19,527	0	4,863	24,390
DP 22204 - Adult Protective Services Database Maintenance	0.00	50,886	0	1,846	52,732	0.00	50,886	0	1,846	52,732
DP 22206 - Dept of Transportation Cars	0.00	11,674	0	11,674	23,348	0.00	11,903	0	11,904	23,807
Total Other Present Law Adjustments	0.00	\$71,084	\$0	\$17,439	\$88,523	0.00	\$79,943	\$0	\$18,527	\$98,470
Grand Total All Present Law Adjustments					\$309,126					\$325,033

DP 6015 - State Motor Pool Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 22201 - SLTC Field Office Rent Adjustment - The legislature provided \$39,304 for the biennium, including \$30,166 in general fund, to pay rent increases for field offices. Base year costs were \$111,425. Funding will support an annual rent increase of about 6.5 percent from FY 2006 through FY 2009.

DP 22204 - Adult Protective Services Database Maintenance - The legislature appropriated \$105,464 over the biennium (\$101,772 general fund) to maintain the APS client database implemented in FY 2006. The database tracks APS cases, complexity and outcomes. This database records documentation for all APS cases and allows managers to equalize caseload among APS field staff based on acuity measures that were incorporated into the database.

DP 22206 - Dept of Transportation Cars - The legislature appropriated \$47,155 total funds over the biennium including \$23,577 general fund to replace six cars owned by SLTC with cars leased from the state motor pool. One of the cars has major mechanical problems and five of the cars have over 125,000 miles.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22239 - Adult Protective Services Field Staff										
05	1.50	0	74,698	0	74,698	1.50	0	73,084	0	73,084
Total	1.50	\$0	\$74,698	\$0	\$74,698	1.50	\$0	\$73,084	\$0	\$73,084

DP 22239 - Adult Protective Services Field Staff - The legislature added \$147,782 in lien and estate recovery state special revenue over the biennium to fund 1.50 FTE field staff for APS referrals. The new staff (0.50 FTE) will work exclusively with tribal issues on the Fort Peck Tribal Reservation and 1.00 FTE will be used to meet increasing needs for guardianships and referrals. This FTE will be allocated across the state based on data gathered from new workload/caseload management system Operation Protect Montana (OPM), which has replaced APS use of the Child and Adult Protective Services system.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	572.75	36.60	17.50	626.85	36.60	17.50	626.85	626.85
Personal Services	28,079,552	4,863,712	1,920,038	34,863,302	5,214,355	3,330,957	36,624,864	71,488,166
Operating Expenses	10,063,759	902,853	584,132	11,550,744	1,368,870	603,498	12,036,127	23,586,871
Equipment	27,000	0	0	27,000	0	0	27,000	54,000
Capital Outlay	0	0	0	0	0	0	0	0
Grants	6,634,137	0	4,532,770	11,166,907	0	4,532,770	11,166,907	22,333,814
Benefits & Claims	46,337,774	12,285,453	9,169,061	67,792,288	8,438,314	15,845,037	70,621,125	138,413,413
Transfers	0	0	0	0	0	0	0	0
Debt Service	106,196	0	2,700	108,896	0	0	106,196	215,092
Total Costs	\$91,248,418	\$18,052,018	\$16,208,701	\$125,509,137	\$15,021,539	\$24,312,262	\$130,582,219	\$256,091,356
General Fund	44,871,341	7,088,421	9,997,596	61,957,358	8,592,477	13,800,426	67,264,244	129,221,602
State/Other Special	8,646,414	5,128,585	1,769,419	15,544,418	(1,077,532)	1,970,802	9,539,684	25,084,102
Federal Special	37,730,663	5,835,012	4,441,686	48,007,361	7,506,594	8,541,034	53,778,291	101,785,652
Total Funds	\$91,248,418	\$18,052,018	\$16,208,701	\$125,509,137	\$15,021,539	\$24,312,262	\$130,582,219	\$256,091,356

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention services, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76-bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Community-based mental health services are delivered to eligible Medicaid and non-Medicaid individuals through a network of providers around the state. Non-Medicaid services are delivered through the Mental Health Services Plan (MHSP) and provide services to individuals earning up to 150 percent of the federal poverty level who have a serious and disabling mental illness. Montana State Hospital (MSH) at Warm Springs (189 licensed beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (165 beds available/75 beds budgeted) provide institutional services to individuals with mental illness. The services at MSH are typically of a short duration while services for residents at the MMHNCC are considered to be long term.

Statutory references: mental health - Title 53, Chapter 21, parts 1 through 7 and part 10, MCA, and P. L. 102-321, CFR; chemical dependency - Title 53, Chapters 1 and 24, MCA; Medicaid services - Title XIX of the Social Security Act.

Program Highlights

Addictive and Mental Disorders Division Major Budget Highlights	
♦	The 2009 biennium budget is \$68.1 million total funds, including \$36.6 million general fund, higher than the 2007 biennium budget
♦	The 2009 biennium appropriation supports 54.10 new FTE, with 42.20 of the new FTE for state institutions
♦	Most of the budget change between the 2 biennia is in services costs, which total \$41.9 million or 61.6 percent of the difference
♦	Compared to base budget expenditures, legislative initiatives add \$18.8

million over the biennium, including \$12.1 million general fund and support for 3.00 new FTE to administer programs, primarily for mental health services expansions including:

- \$6.7 million total (\$3.0 million general fund) for behavioral health services
 - \$5.2 million general fund for expanded MHSP services
 - \$2.3 million total (\$0.6 million general fund) for provider rate and direct care worker wage increases
 - \$2.8 million (\$1.8 million general fund) for mental health services for mentally ill offenders
 - \$1.6 million general fund for mental health drop in centers and suicide prevention
- ◆ The legislature also approved the executive budget proposals for:
 - 72 hour crisis services - \$4.1million total (\$4.0 million general fund)
 - Anticipated utilization growth in Medicaid services including a 10 bed expansion for non secure Medicaid crisis services and annualization of the home and community based waiver and a 20 slot expansion adds \$27.4 million total funds, including \$4.8 million general fund
 - Expanded community treatment services for methamphetamine and chemical dependency - \$4.0 million

Program Narrative

The AMDD appropriation rises from a base budget of \$91.2 million to \$125.5 million in FY 2008 and \$130.6 million in FY 2009. Most of the increase supports expansions of mental health services with some expansion of chemical dependency services - \$45.7 million total funds increase, including \$19.8 million general fund. Institutional costs grow \$12.5 million total funds, including \$10.8 million general fund.

Part of the increase supports legislative initiatives that were not included in the executive budget. Figure 57 shows each initiative and the amount appropriated. Legislative initiatives for AMDD totaled \$18.8 million over the biennium, including \$12.1 million general fund.

Figure 57
Legislative Appropriation Initiatives - Addictive and Mental Disorders Division

Purpose	FY 2008		FY 2009		% of Ttl
	General Fund	Total Funds	General Fund	Total Funds	
Behavioral Health Inpatient Services	\$0	\$0	\$3,000,000	\$6,263,417	48.1%
Mental Health Services Plan Expansion	2,601,531	2,601,531	2,601,531	2,601,531	20.0%
Provider Rate Increase*	(220,955)	(106,809)	398,236	1,793,915	13.8%
Mentally Ill Offender Services					
Prescription Drugs	950,000	1,450,000	0	500,000	3.8%
Community Services	371,647	371,647	371,647	371,647	2.9%
Direct Care Worker Wage Increase	224,964	716,675	225,681	716,675	5.5%
Suicide Prevention	400,000	400,000	400,000	400,000	3.1%
Mental Health Drop In Centers	371,647	371,647	371,647	371,647	2.9%
Total Legislative Initiatives	\$4,698,834	\$5,804,691	\$7,368,742	\$13,018,832	100.0%
2009 Biennial Total			\$12,067,576	\$18,823,523	

*This amount is the net change from the original executive recommendation. Provider rate differences are negative in FY 2008 because the executive budget submitted to the May special session of the legislature delayed implementation of provider rate increases. The legislature accepted the delay.

In summary, legislative initiatives for AMDD are:

- Behavioral health inpatient facility services - \$6.2 million in a one-time-only appropriation in FY 2009
- MHSP expansion - \$5.2 million general fund increase over the biennium, with the understanding that the program would move to a fee for service delivery system (base budget of \$8.1 million)
- Provider rate increases higher than the executive recommendation - \$1.8 million over the biennium

- Community services and prescription drugs for mentally ill offenders - \$2.7 million, including \$1.7 million general fund, over the biennium, with the \$1.0 million in prescription drug appropriation being a one-time-only appropriation
- Direct care worker wage increases - \$1.4 million over the biennium
- Suicide prevention - \$800,000 general fund over the biennium
- Mental health drop in centers - \$743,294 general fund over the biennium (base budget of \$45,000)

The difference in provider rate increases in FY 2008 shown in Figure 56 results from a delay in implementation of rate increases until October 1, 2007. The revised executive budget submitted to the May 2007 Special Session recommended the delay, which was adopted by the legislature.

The legislature also approved the following executive proposals:

- Institution operating and staffing increases - \$12.5 million over the biennium (base budget of \$35.1 million)
- Medicaid caseload growth - \$12.3 million over the biennium (base budget of \$31.3 million)
- Federal Strategic Prevention Framework Grant to foster development of chemical dependency services - (\$4.7 million federal funds)
- 72 hour crisis community services - \$4.1 million over the biennium
- Expansion of community methamphetamine and chemical dependency services - \$4.0 million over the general fund
- 20 additional slots for the home and community based Medicaid waiver - \$1.6 million over the biennium (base budget of \$4.2 million supporting 105 service slots)
- 2.50 new FTE for peer support services - \$275,000 over the biennium

The legislature did not approve two executive budget proposals for this division. The legislature did not fund:

- (1) a 120 bed mental health forensic treatment program (\$4.2 million general fund); nor
- (2) methamphetamine prevention (\$1.0 million in general fund).

The legislature diverted the \$5.2 million general fund that would have supported the Secure Treatment and Examination Program (STEP) and meth prevention to community services initiatives, including the appropriations for services and prescription drugs for mentally ill offenders. The agency summary has a more detailed explanation of the difference between the executive budget request and the legislative appropriation.

AMDD Budget by Function

Figure 58 shows the base budget and legislative appropriation for the three functions managed by AMDD. Mental health services is the most significant component of the AMDD budget, comprising 83.4 percent of the FY 2009 appropriation. Addiction services is 13.7 percent of the total. The division administration function appropriation increases due to 2009 biennium pay plan allocations (\$3.8 million total funds, including \$3.3 million general fund), which will be distributed across all division functions.

Benefits appropriations are single largest component of the division appropriation, accounting for 54.1 percent of the FY 2009 division appropriation. Medicaid mental health services is the single largest benefit, weighing in at 28.9 percent. Appropriations for the three institutions managed by this division account for 32.0 percent of the total and grants are 8.6 percent. The Mental Health Services Plan (MHSP) is about 5.9 percent of the FY 2009 appropriation when both grant and benefit appropriations are combined.

General fund increases \$39.5 million over the biennium compared to the base budget doubled, with the majority of the increase (\$31.8 million) to support adult mental health services. Taken in aggregate the budget adjustments for community mental health services add the most general fund, with \$15.9 million, while appropriation increases for MSH add \$7.9 million and the new chemical dependency and meth community treatment program adds \$4 million.

Figure 58
Addictive and Mental Disorders Division FY 2006 Base Budget Expenditures Compared to 2009 Biennium Legislative Appropriation

Comprehensive Budget Expenditures Comparison to 2007 Minimum Legislative Appropriation										
Budget Component Function/Benefit	FY 2006 Base Budget			FY 2008 Legislative Appropriation			FY 2009 Legislative Appropriation			% of Total Division
	General Fund	SSR	Federal	General Fund	SSR	Federal	General Fund	SSR	Federal	
Total Division										
Division Admin.	\$462,178	\$88,702	\$500,764	\$1,533,923	\$309,573	\$534,939	\$2,378,435	\$457,245	\$564,883	\$3,795,966
Mental Health*	44,369,309	4,930,486	29,151,029	58,292,987	10,696,878	36,504,825	105,494,690	4,433,590	42,170,733	108,842,902
Addiction Services	39,854	3,627,226	8,078,870	2,130,448	4,537,967	10,967,597	17,636,012	4,648,849	11,042,675	17,943,351
Total Division	\$44,871,341	\$8,646,414	\$37,730,663	\$61,957,358	\$15,544,418	\$48,007,361	\$125,509,137	\$9,539,684	\$53,778,291	\$130,582,219
Percent of Total	49.2%	9.5%	41.3%	49.4%	12.4%	38.3%	100.0%	51.5%	7.3%	41.2%
Compounded Annual Rate of Change from Base				17.3%	34.1%	12.8%	17.3%	14.4%	3.3%	12.5%
State Institution Costs										
State Hospital	\$24,305,773	\$427,063	\$0	\$28,175,410	\$435,101	\$0	\$28,610,511	\$427,063	\$0	\$29,175,288
Nursing Care Center	6,776,312	0	0	8,124,421	0	0	8,124,421	8,283,753	0	8,283,753
Chemical Dependency Cnt	0	3,014,474	420,000	0	3,678,702	560,929	4,239,631	0	3,738,680	4,322,807
Subtotal Institutions	\$31,282,085	\$3,441,537	\$420,000	\$36,299,831	\$4,113,803	\$560,929	\$40,974,563	\$4,165,743	\$584,127	\$41,781,848
% of Total Division Budget	69.7%	39.8%	1.1%	58.6%	26.5%	1.2%	32.6%	55.1%	43.7%	32.0%
Compounded Annual Rate of Change from Base				7.7%	9.3%		8.0%	5.8%	6.6%	5.9%
Grants										
Mental Health Services										
Mental Health Svcs Plan*	\$3,537,204	\$0	\$1,228,490	\$3,537,204	\$0	\$1,228,490	\$4,765,694	\$0	\$1,228,490	\$4,765,694
72 Hr Crisis Care	0	0	0	1,861,245	0	171,525	2,032,770	0	172,436	2,032,770
Drop In Centers	50,000	0	0	550,000	0	0	550,000	0	0	550,000
PATH/Homeless Svcs	94,148	0	287,008	94,148	0	287,008	381,156	94,148	0	381,156
Service Area Authority**	45,000	0	0	115,000	0	0	115,000	115,000	0	115,000
Addiction Services										
Community Services	0	0	1,392,287	162,338	0	3,229,949	3,392,287	162,338	0	3,392,287
Subtotal Grants	\$3,726,352	\$0	\$2,907,785	\$6,319,935	\$0	\$4,916,972	\$11,236,907	\$6,319,935	\$4,917,883	\$11,236,907
% of Total Division Budget	8.3%	0.0%	7.7%	10.2%	0.0%	10.2%	9.0%	9.4%	0.0%	8.6%
Compounded Annual Rate of Change from Base				30.2%	n/a	30.0%	30.1%	19.2%	n/a	19.2%
Benefits/Services										
Medicaid										
Mental Health*	\$7,039,042	\$1,350,818	\$22,943,013	\$8,061,206	\$1,719,213	\$24,624,342	\$34,404,761	\$9,072,353	\$1,748,673	\$37,771,510
Community Waiver Srv	0	0	0	228,477	1,608,469	4,021,159	5,858,105	260,560	1,613,488	5,977,453
PACT	907,847	0	2,482,609	1,540,968	0	3,368,136	4,909,104	1,545,877	0	3,363,227
ICBR	508,968	0	1,391,832	799,150	0	1,746,725	2,545,875	801,696	0	1,744,179
BHIF Services	0	0	0	0	0	0	0	1,500,000	0	3,263,417
Chemical Dependency	0	362,211	871,161	95	581,780	1,271,987	1,853,862	7,481	596,142	1,318,867
Other Benefits										
Mental Health Svcs Plan*	0	3,152,605	0	2,626,454	6,305,210	0	8,931,664	2,739,366	0	2,739,366
PACT - MHSP Slots	173,279	0	0	214,774	0	0	214,774	214,774	0	214,774
Mental Health Other Services	0	0	0	0	0	0	0	1,500,000	0	1,500,000
BHIF Services	0	0	0	0	0	0	0	200,000	0	200,000
Suicide Prevention	0	0	0	200,000	0	0	200,000	200,000	0	200,000
Peer Support - MH	0	0	0	0	9,140	0	9,140	0	8,340	8,340
Mentally Ill Offenders	0	0	0	950,000	500,000	0	1,450,000	0	500,000	500,000
Prescription Drugs	0	0	0	371,647	0	0	371,647	371,647	0	371,647
Community Services	0	0	0	2,017,320	0	5,154,554	7,171,874	2,171,113	0	5,154,554
Chemical Dependency	0	0	0	(128,353)	0	(165)	(128,353)	(128,353)	0	(165)
Adjustments	0	0	(165)	(128,353)	0	(165)	(128,353)	(128,353)	0	(128,353)
Subtotal Benefits	\$8,629,136	\$4,865,634	\$32,843,004	\$16,881,738	\$10,723,812	\$40,186,738	\$67,792,288	\$20,256,514	\$44,466,643	\$70,621,125
% of Total Division Budget	19.2%	56.3%	87.0%	27.2%	69.0%	83.7%	54.0%	30.1%	46.8%	54.1%
Compounded Annual Rate of Change from Base				39.9%	48.5%	10.6%	21.0%	32.9%	-2.8%	11.8%

*Mental Health Services Plan benefits appropriation would be used as state Medicaid match if the HIFA waiver is approved.

**\$70,000 of the line item appropriation for Service Area Authority grants is included in administrative appropriations, but shown as a grant expenditure in this table.

State institution costs comprise 55.1 percent of total general fund appropriations in the FY 2009, down from the 69.7 percent share in base budget costs. General fund appropriations for benefits and grants comprise a bigger share of the FY 2009 budget than the base budget expenditures, due in part to legislative initiatives that expanded community mental health services.

Grants increase \$4.6 million annually. Grant expenditures include:

- Mental Health Services Plan (MSHP)
 - Fixed amount contracts with Community Mental Health Centers to provide services to adults with a serious and disabling mental illness who have incomes under 150 percent of the federal poverty level through FY 2008, when MHSP will move to a fee for service reimbursement system
 - Funded from general fund and the mental health federal block grant
- 72 hour crisis services
 - New proposal to develop community mental health crisis services supported by general fund
- Community mental health drop in centers
 - General fund grants to provide support for the operation of drop in centers, with priority funding given to centers that have staff who can provide medication management
- Homeless services for mentally ill persons
 - Contracts funded from federal grant funds
- Service Area Authority (SAA) funding
 - General fund grants to provide operating funds for the three regional SAAs for meetings of members (consumers and other appointees) to provide input to AMDD on development and administration of the mental health system
- Community chemical dependency services
 - Contracts with state approved providers funded from the federal substance abuse block grant

Benefit expenditures grow from a base of \$46.3 million to \$70.6 million in FY 2009. Benefit appropriations fund Medicaid services, local chemical dependency services, MHSP benefits, and several new programs:

- BHIF services - \$6.8 million
- Suicide prevention - \$0.8 million
- Community services and prescription drugs for mentally ill offenders - \$2.0 million
- Peer support - \$17,000

Medicaid services are funded with federal funds, general fund, and state special revenue. Chemical dependency services are funded with federal block grant funds and general fund for new community treatment services.

Medicaid services include such services as medication management, counseling, psychiatric services, and day treatment. The home and community based waiver (HCBS) provides a variety of in-home and community services to maintain Medicaid eligible adults with a mental illness in the community. Persons in the HCBS waiver must meet nursing home level of care standards. The HCBS waiver was implemented in FY 2007 and is funded for 124 slots in the 2009 biennium. Health and Medicaid initiatives funds provide the state match for HCBS services.

Behavioral health inpatient facility (BHIF) services are provided to adults with a serious and disabling mental illness that need acute care. BHIFs are facilities with 16 or fewer beds that provide acute care for up to 45 days. BHIFs are a Medicaid eligible service and intended to reduce MSH admissions. The BHIF appropriation is a one-time appropriation in FY 2009 and must be used for services and not facility construction. Currently there are no BHIFs in Montana.

Medicaid mental health services include appropriations for the Program for Assertive Community Treatment (PACT) and intensive community based rehabilitation (ICBR). These two services provide stable living and treatment environments for persons who are at high risk of placement in MSH or who transitioned from MSH to the community. There are 31 ICBR slots, at an average cost of \$82,125 annually.

There are 314 PACT slots budgeted in FY 2008 and 334 in FY 2009 at an annual average cost of \$15,341. PACT slots are a Medicaid and MHSP service. There are 14 slots allocated to MHSP. Figure 58 shows the number of PACT slots funded in the 2009 biennium, the areas of the state with PACT programs, and potential allocation of slots. Actual program capacity may vary from Figure 58.

MHSP services are funded from the general fund and health and MSHP drug benefits are funded with health and Medicaid initiative state special revenue funds. The legislature appropriated an additional \$5.2 million general fund over the biennium to expand MHSP services. The legislature also intended that the MHSP program transition from a grant funded to fee for service reimbursement system by FY 2009.

The MHSP state special revenue supporting drug benefits will be used as state Medicaid match if the Health Insurance Flexibility and Accountability (HIFA) waiver is approved. MHSP funding is not an allowable statutory use of health and Medicaid initiatives funding, but the Medicaid services expansions in the HIFA waiver are an allowable use. The HIFA waiver is discussed in greater detail in the agency budget narrative. DPHHS has not yet received federal approval to implement the HIFA waiver.

Figure 59 PACT Service Slots Compared to 2009 Biennium Estimate*		
Location	Sept 06 Slots	Estimated Slots - FY09
Helena	70	70
Billings	66	70
Kalispell	56	56
Great Falls	54	54
Missoula	46	46
Butte	0	38
Total	292	334
*320 are Medicaid slots and there are 14 MHSP slots in FY 2009.		

Figure 60

Base Budget Compared to 2009 Biennium Budget
Institutions Administered by AMDD

Institution Cost/Funding	Actual FY 2006	Appropriation FY 2008	Appropriation FY 2009
Montana State Hospital			
FTE	369.80	406.40	406.40
Personal Services*	\$19,832,681	\$22,942,085	\$23,196,773
All Other	\$100,155	\$668,426	\$978,515
Total	\$24,932,836	\$28,610,511	\$29,175,288
General Fund	\$24,505,773	\$28,175,410	\$28,748,225
State Special Rev.	427,063	435,101	427,063
Population	199	199	199
Costs Per Person	\$125,291	\$143,771	\$146,609
Cost Per Day	\$343	\$394	\$402
Annual Increase		7.2%	2.0%
Mental Health Nursing Care Center			
FTE	122.70	122.70	122.70
Personal Services*	\$4,406,410	\$5,544,321	\$5,606,262
All Other	2,369,902	2,580,100	2,677,491
Total	\$6,776,312	\$8,124,421	\$8,283,753
General Fund	\$6,776,312	\$8,124,421	\$8,283,753
Population	80	81	81
Cost Per Person	\$84,704	\$100,301	\$102,269
Cost Per Day	\$232	\$275	\$280
Annual Increase		9.5%	2.0%
Montana Chemical Dependency Center			
FTE	48.25	54.25	54.25
Personal Services*	\$2,225,176	\$2,840,210	\$2,869,490
All Other	1,209,298	1,399,421	1,453,317
Total	\$3,434,474	\$4,239,631	\$4,322,807
State Special Rev.	\$3,014,174	\$3,678,702	\$3,738,680
Federal Funds	420,000	560,929	584,127
Population	50	72	72
Cost Per Person	\$68,689	\$58,884	\$60,039
Cost Per Day	\$188	\$161	\$164
Annual Increase		10.5%	2.0%
Total Division Institution Budget			
FTE	540.75	583.35	583.35
% of Division Total	94.4%	93.3%	87.5%
General Fund	\$31,282,085	\$36,299,831	\$37,031,978
% of Division Total	69.7%	62.6%	59.1%
Annual Growth Rate		7.7%	2.0%
*Personal services costs do not include the 2009 biennium pay plan, so 2009 biennium costs are understated.			

The legislature also added funds for community services and prescription drugs for mentally ill offenders, making \$1.0 million of the general fund for prescription drugs a one-time appropriation. The prescription drug appropriation also includes \$1.0 million in state special revenue so that the Department of Corrections can pay DPHHS for prescription drug costs beyond the \$1.0 million general fund appropriation.

A small appropriation was made to provide community services for peer support.

The appropriation for chemical dependency services increases by \$4.0 million general fund in the 2009 biennium to support expansion of community services for methamphetamine and chemical dependency services. The appropriation supports seven new treatment homes, with two sited on reservations, to treat 843 persons and additional residential treatment days for 64 persons.

Institution Budgets

AMDD manages three state institutions. Figure 60 shows each institution, the 2009 appropriation, the anticipated average daily population, and the estimated daily cost. The daily cost is understated because it does not include the 2009 biennium pay plan.

In aggregate, state institution costs rise from \$31.3 million in the base budget year to \$41.8 million in the FY 2009 budget request, at an annual growth rate of 9.4 percent. State institution FTE are nearly 95 percent of total division FTE. As noted previously, \$2.1 million in supplemental costs for 36.60 modified FTE were inadvertently not removed from the state hospital base budget.

The average daily cost for state hospital care was \$343 per day in the base budget and grows to \$402 in FY 2009. Cost increases are due to

annualization of the cost of the 36.60 FTE and operating cost increases in medical and prescription drug costs, food, and utilities.

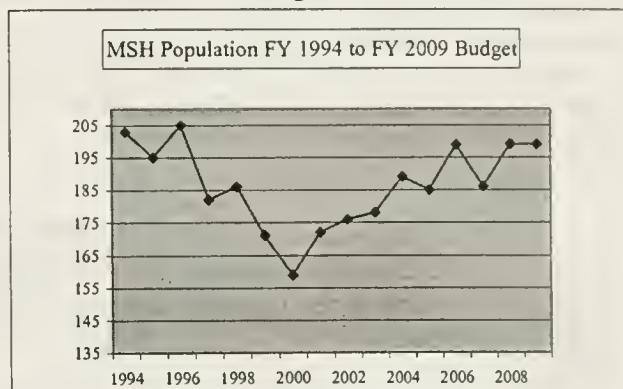
The nursing care center average daily cost grows from \$232 in the base budget to \$280 in FY 2009. Cost increases are due to medical, prescription drug, and food and utility costs, including fully funding personal services costs.

Significant appropriation changes are funding for 36.60 FTE added to MSH in FY 2006 and for 6.00 new FTE for MCDC. The FTE increases are due in some measure to treating more difficult patients who sometimes exhibit harmful behaviors. MSH population levels have exceeded licensed capacity throughout FY 2006, which is another reason new staff were requested. Additional staff will help MCDC raise the census and lower the per person cost of providing services.

Figure 61

All other cost increases are related to reinstatement of overtime pay, funding vacancies, reclassification, and upgrades for medical staff; and inflation in operating costs.

Figure 61 shows the historic and budgeted population for MSH. The legislature approved the executive budget request for MSH without significant changes, providing funds to support a population of 199 per day.



Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Addictive & Mental Disor						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 44,871,341	49.2%	\$ 61,957,358	49.4%	\$ 67,264,244	51.5%
01100 General Fund	44,871,341	49.2%	61,957,358	49.4%	67,264,244	51.5%
02000 Total State Special Funds	8,646,414	9.5%	15,544,418	12.4%	9,539,684	7.3%
02034 Earmarked Alcohol Funds	3,702,226	4.1%	4,555,062	3.6%	4,797,160	3.7%
02053 Medicaid Nursing Home Match	1,040,539	1.1%	1,040,539	0.8%	1,040,539	0.8%
02129 Amdd/Doc Agr 05-021-Ysd	-	-	500,000	0.4%	500,000	0.4%
02217 Amdd/Doc Shared Position	-	-	79,484	0.1%	79,574	0.1%
02384 02 Indirect Activity Prog 33	88,702	0.1%	92,732	0.1%	95,973	0.1%
02691 6901-Msh/Doc Maint Agreement	352,063	0.4%	360,101	0.3%	352,063	0.3%
02772 Tobacco Hlth & Medica Initiative	3,435,225	3.8%	8,759,319	7.0%	2,501,716	1.9%
02987 Tobacco Interest	27,659	0.0%	157,181	0.1%	172,659	0.1%
03000 Total Federal Special Funds	37,730,663	41.3%	48,007,361	38.3%	53,778,291	41.2%
03082 Spfsig Cfda 93.243	-	-	2,335,126	1.9%	2,339,482	1.8%
03171 Data Infrastructure Development	29,995	0.0%	251,877	0.2%	251,877	0.2%
03505 93.150 - Mntal Hlth - Homeless	287,008	0.3%	287,008	0.2%	287,008	0.2%
03507 93.958 - Mntal Hlth - Blk Grt	1,228,490	1.3%	1,228,490	1.0%	1,228,490	0.9%
03508 93.959 - Adad - Blk Grt 100%	7,157,681	7.8%	7,298,610	5.8%	7,321,808	5.6%
03580 6901-93.778 - Med Adm 50%	868,105	1.0%	987,374	0.8%	1,002,083	0.8%
03583 93.778 - Med Ben Fmap	27,688,615	30.3%	35,203,874	28.0%	40,916,015	31.3%
03601 03 Indirect Activity Prog 33	391,087	0.4%	414,319	0.3%	430,088	0.3%
03684 6901-Data Infrastructure93-230	79,682	0.1%	683	0.0%	1,440	0.0%
Grand Total	\$ 91,248,418	100.0%	\$ 125,509,137	100.0%	\$ 130,582,219	100.0%

The Addictive and Mental Disorders Division (AMDD) is funded by a combination of general fund, state special revenue, and federal funds. General fund supports just over half of the FY 2009 appropriation, while state special revenue comprises 7.3 percent and federal funds provide the balance. General fund pays:

- Mental health state institutions costs
- State Medicaid match for mental health services
- Mental health grants to support community mental health services for the Mental Health Services Plan (MHSP)
- Community crisis services for persons who are not eligible for Medicaid
- Provider rate increases for chemical dependency services

The most significant state special revenue sources are alcohol taxes allocated to DPHHS, health and Medicaid initiatives account tobacco tax revenues, and intergovernmental transfer revenue from counties. Alcohol state special revenue supports the Montana Chemical Dependency Center (MCDC), state matching funds for chemical dependency Medicaid services, and program administration, as well as some services provided by other agencies. Health and Medicaid initiatives funds support Medicaid provider rate increases, a portion of the direct care worker wage increase, and the home and community based services Medicaid waiver approved by the 2005 Legislature as well as a 20 slot waiver expansion approved by the 2007 Legislature.

Figure 62

Earmarked Alcohol Tax Revenue and Expenditures
FY 2006 Actual Through FY 2009 Biennium Appropriation

Revenue/Expenditures	2007 Biennium		Legislative Appropriation		% of
Fund Balance	Base Budget	07 Approps.	FY 2008	FY 2009	Total
Beginning Balance	\$397,208	\$238,361	\$114,392	(\$31,932)	
Revenues					
Liquor License	\$4,360,508	\$4,679,000	\$5,001,000	\$5,338,000	73.6%
Beer Tax	899,237	903,000	916,000	929,000	12.8%
Wine Tax	742,495	781,000	824,000	866,600	11.9%
DPHHS Cost Recovery	87,246	106,889	109,940	109,645	1.5%
Other Receipts**	<u>35,501</u>	<u>10,810</u>	<u>10,810</u>	<u>10,810</u>	<u>0.1%</u>
Total Revenue	<u>\$6,124,987</u>	<u>\$6,480,699</u>	<u>\$6,861,750</u>	<u>\$7,254,055</u>	<u>100.0%</u>
Annual Percent Change	13.8%	5.8%	5.9%	5.7%	
Total Funds Available	<u>\$6,522,195</u>	<u>\$6,719,060</u>	<u>\$6,976,142</u>	<u>\$7,222,123</u>	
Disbursements					
Chemical Dependency Cntr (MCDC)	\$3,014,474	\$3,050,294	\$3,678,702	\$3,738,680	50.6%
Distribution to Counties	1,486,053	1,555,726	1,348,200	1,426,720	19.3%
Services for Dually Diagnosed	396,148	419,958	444,906	470,818	6.4%
CD Medicaid Services/Admin.	362,211	542,470	387,155	388,389	5.3%
Justice - Crime Lab DUI Tests	303,204	303,204	303,204	303,204	4.1%
CD Operations	250,023	293,289	276,828	313,355	4.2%
Cost Allocated Admin.	225,729	248,302	273,132	300,445	4.1%
Pay Plan and Retirement	0	0	137,357	281,698	3.8%
Montana State Hospital	75,000	75,000	75,000	75,000	1.0%
Quality Assurance-Licensure	60,178	55,436	62,411	65,106	0.9%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.3%
Department of Labor - POL Board	4,707	35,466	(5,001)	(5,001)	-0.1%
CD Benefits - nonMedicaid	<u>518</u>	<u>0</u>	<u>657</u>	<u>672</u>	<u>0.0%</u>
Total Disbursements	<u>\$6,203,768</u>	<u>\$6,604,668</u>	<u>\$7,008,074</u>	<u>\$7,384,609</u>	<u>100.0%</u>
Adjustments***	(\$80,066)	\$0	\$0	\$0	
Ending Fund Balance	<u>\$238,361</u>	<u>\$114,392</u>	<u>(\$31,932)</u>	<u>(\$162,486)</u>	

*Revenue estimates are those adopted by the Revenue Oversight and Transportation Committee, except DPHHS cost recovery, which uses DPHHS estimates. FY 2007 costs are based on AMDD allocations, the LFD estimate of indirect costs, and legislative appropriations for other agencies and DPHHS divisions.

**Other receipts includes lab testing and phone/vending machine income. The FY 2006 amount includes one time revenue of \$23,110

***Generally accepted accounting principles (GAAP) require certain entries to be made. The adjustments include those entries, with the most significant being capitalization of a lease for \$28,068.

Federal sources of funding include Medicaid matching funds, several federal grants, and indirect cost recovery from federal sources for shared administrative costs. Medicaid matching funds provide almost a third of the FY 2009 budget. The federal substance abuse grant is 5.6 percent of total funds and supports grants to community providers as well as division administrative costs and a portion of MCDC costs. A new grant for strategic prevention initiatives provides support for development of community chemical dependency and prevention services. Two smaller federal grants support community mental health services.

Figure 62 shows the fund balance of the alcohol state special revenue allocated to DPHHS. The fund balance is projected to be about \$32,000 negative at the end of FY 2008 with a deficit of about \$162,500 in FY 2009. If cash is insufficient to fund all appropriations, the department will need to reduce expenditures funded from alcohol tax funds or transfer general fund to cover costs. Since the transfer of alcohol tax to the counties is statutorily appropriated based on the amount of revenue transferred into the fund, the statutory appropriations cannot be reduced to cover the short fall.

Biennial Budget Comparison

Figure 63 shows the 2007 biennium budget compared to the 2009 biennium appropriation. The 2007 biennium amount includes an increase of \$4.4 million general fund in personal services to account for the supplemental appropriation in HB 3 of the 2007 regular session for higher than budgeted population at MSH. The legislature continued the staff added to address population issues and operating costs in the 2009 biennium.

The 2009 biennium appropriation is \$68.1 million greater than the 2007 biennium budget, including \$36.6 million general fund and \$6.7 million state special revenue. Benefits and services grow the most at \$42.0 million followed by personal services with \$12.8 and grants with \$10.3 million.

Benefit increases are due to Medicaid caseload and service utilization increases, provider rate and direct care worker wage increases, and mental health service expansions. Personal services growth is due to 2009 biennium pay plan changes, funding for 42.6 new FTE for state institutions, 7.50 new FTE for mental health services expansions, and 4.00 new FTE for chemical dependency grant activities and to coordinate mental health services between DPHHS and the Department of Corrections. Grants increase due to expansions in community addiction and mental health services.

General fund increases are due to state institution cost increases, Medicaid caseload growth, the federal Medicaid match rate change, and the community services expansion. State special revenue rises due to funding for MCDC from alcohol taxes and for Medicaid provider rate increases and direct care worker appropriations, as well as annualization of the HCBS waiver, supported by health and Medicaid initiatives funds. Federal funds increase due to Medicaid caseload growth and service expansion as well as increases in categorical grants to support development of community chemical dependency programs and to develop better mental health data.

Language

The legislature approved the following language.

“Funds in Direct Care Worker Wage Increase may be used only to raise direct care worker wages and related benefits through an increase in provider rates. Funds in Direct Care Worker Wage Increase may not be used to offset any other wage increase mandated by any other laws, contracts, or written agreements, which will go into effect at the same time as or after implementation of the appropriation included in Direct Care Worker Wage Increase. Funds in Direct Care Worker Wage Increase must be used first to raise the lowest paid direct care workers to \$8.50 an hour and related benefits, and the remaining balance may be used only to raise wages of all direct care workers. The department shall provide documentation that these funds are used solely for direct care worker wage and related benefits increases. The documentation must include initial wage rates, wage rates after the rate increases have been applied, and wage rates every 6 months after the rate increases have been granted.

Funds in Mental Health Drop In Centers may be used only to support community drop-in centers for persons with a mental illness and to provide training for up to 60 consumers each fiscal year to perform peer specialist duties. Drop-in centers with staff who can assist persons with medication management must receive priority in consideration for funding.

Funds in Suicide Prevention may be used only to implement a comprehensive suicide prevention program, which at a minimum includes a suicide prevention officer, a comprehensive suicide reduction plan, and a 24-hour suicide prevention hotline.

Budget Item/Fund	2007 Biennium	2009 Biennium	Percent of Total	Difference	Percent of Change
FTE	572.75	626.85		54.10	
Personal Services*	\$58,695,041	\$71,488,166	27.9%	\$12,793,125	18.8%
Operating	20,549,749	23,586,871	9.2%	3,037,122	4.5%
Equipment	68,010	54,000	0.0%	(14,010)	0.0%
Capitol Outlay	0	0	0.0%	0	0.0%
Grants	12,069,570	22,333,814	8.7%	10,264,244	15.1%
Benefits/Claims	96,453,480	138,413,413	54.0%	41,959,933	61.6%
Debt Service	186,289	215,092	0.1%	28,803	0.0%
Total Costs	\$188,022,139	\$256,091,356	100.0%	\$68,069,217	76.8%
General Fund*	\$92,643,440	\$129,221,602	50.5%	\$36,578,162	53.7%
State Special	18,410,777	25,084,102	9.8%	6,673,325	9.8%
Federal Funds	76,967,922	101,785,652	39.7%	24,817,730	36.5%
Total Funds	\$188,022,139	\$256,091,356	100.0%	\$68,069,217	100.0%
Percent Increase		36.2%			
*2007 biennium general fund and personal services costs include a supplemental appropriation of \$4,441,865 authorized by HB 3.					

Funding in Services for Mentally Ill Offenders may be used for two purposes only:

- (1) services for adults under the supervision of the community corrections division in the department of corrections; and
- (2) training for community probation and parole officers.

The services may include case management, treatment, transition support, and medication monitoring. Funding may be used to provide training to community probation and parole officers about mental illness and chemical dependency and about how to assist offenders to enroll in public benefit programs, if appropriate.

Funds in Expand Mental Health Services Plan may be used only to implement 53-21-702(2).

Funds in Provider Rate Increase may be used only to raise provider rates.

Funding in Mentally Ill Offender Drugs may be used only to provide a prescription benefit for offenders leaving secure care who meet the criteria for serious mental illness and who have not been enrolled in public benefit programs. Benefits may include a 60-day supply of medications and other short-term medication purchases for offenders who become unstable and need medications and who are not eligible for other public prescription drug programs.

Funding in Community Liaison Officers may be used only for five half-time staff in the addictive and mental disorders division to provide focused reentry support services, including assistance in accessing community services, to persons who are discharged from Montana state hospital. The legislature intends that the positions be filled by individuals who have a primary diagnosis of mental illness and are certified peer specialists. The goal of this service is to reduce readmissions to Montana state hospital at 30- and 60-day intervals, as a result of assisted reintegration to community settings.

Behavioral Health Inpatient Facility may be used only to develop one or more behavioral health inpatient facilities as defined in 53-21-102(2). Behavioral Health Inpatient Facility may be used to pay for services and may not be used for construction of buildings. Behavioral Health Inpatient Facility is contingent upon passage and approval of Senate Bill No. 45.

72-Hour Crisis Services may be used only to develop community mental health crisis services and for provision of psychiatric consulting services for community providers who manage and administer community mental health crisis services.

Methamphetamine Treatment may be used only to develop community treatment. Parents with children must be given priority consideration when selecting candidates to participate in the treatment funded by Methamphetamine Treatment.

Service Area Authority Grants may be used only to provide grants to service area authorities established in 53-21-1006."

The Governor vetoed the italicized language.

"Included in Addictive/Mental Disorders Administration/Reporting is \$200 in general fund money each year for a semiannual report to the legislative finance committee and the children, families, health, and human services interim committee for the following:

- (1) progress toward the goals presented to the joint appropriations subcommittee on health and human services in the division's final template; and*
- (2) attainment of measurable objectives as outlined in the division final template presented to the joint appropriations subcommittee on health and human services.*

If the reports are not received by the legislative finance committee by December 31, 2007, and June 30, 2008, the fiscal year 2009 general fund appropriation is reduced by \$200.

Addictive/Mental Disorders Administration/Reporting includes funding for a semiannual report for the legislative finance committee and the children, families, health, and human services interim committee summarizing direct care wage rates."

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions in the sub-program sections.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				2,096,078					2,401,789	
Vacancy Savings				(1,207,007)					(1,219,252)	
Inflation/Deflation				208,133					229,068	
Fixed Costs				(113,445)					(91,106)	
Total Statewide Present Law Adjustments				\$983,759					\$1,320,499	
DP 6015 - State Motor Pool Change	0.00	(4,386)	(637)	(652)	(5,675)	0.00	(4,365)	(634)	(647)	(5,646)
DP 33101 - AMDD Operations Present Law Adjustments	0.00	23,708	4,631	19,661	48,000	0.00	26,671	5,211	22,118	54,000
DP 33201 - Medicaid FMAP - Chemical Dependency	0.00	0	24,944	(24,944)	0	0.00	0	26,178	(26,178)	0
DP 33202 - CD Medicaid Caseload Adjustment	0.00	0	180,602	394,746	575,348	0.00	0	188,792	410,738	599,530
DP 33301 - MCDC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	0	117,959	0	117,959	0.00	0	120,750	0	120,750
DP 33302 - MCDC Present Law Adjustments	0.00	0	81,707	0	81,707	0.00	0	126,670	0	126,670
DP 33401 - Medicaid FMAP - Mental Health	0.00	670,404	0	(670,404)	0	0.00	703,781	0	(703,781)	0
DP 33402 - Medicaid Caseload Adjustment - Mental Health	0.00	1,275,063	87,812	2,978,875	4,341,750	0.00	2,045,837	87,812	4,641,990	6,775,639
DP 33414 - Annualize HCBS Waiver	0.00	0	1,323,324	2,892,426	4,215,750	0.00	0	1,327,540	2,888,210	4,215,750
DP 33501 - MSH OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	1,684,211	8,038	0	1,692,249	0.00	1,720,533	0	0	1,720,533
DP 33502 - MSH Present Law Adjustments	0.00	496,987	0	0	496,987	0.00	783,347	0	0	783,347
DP 33503 - MSH 36.6 Modified FTE	36.60	1,668,572	0	0	1,668,572	36.60	1,683,031	0	0	1,683,031
DP 33601 - MMHNCC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	495,861	0	0	495,861	0.00	507,504	0	0	507,504
DP 33602 - MMHNCC Present Law Adjustments	0.00	187,146	0	0	187,146	0.00	272,537	0	0	272,537
DP 33809 - Mental Health Drugs - Biennial	0.00	0	3,152,605	0	3,152,605	0.00	0	(3,152,605)	0	(3,152,605)
Total Other Present Law Adjustments										
	36.60	\$6,497,566	\$4,980,985	\$5,589,708	\$17,068,259	36.60	\$7,738,876	(\$1,270,286)	\$7,232,450	\$13,701,040
Grand Total All Present Law Adjustments				\$18,052,018						\$15,021,539

New Proposals

New Proposals		Fiscal 2008				Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
33	0.00	1,027,717	136,832	22,402	1,186,951	0.00	2,259,119	283,720	49,865	2,592,704
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
33	0.00	28,320	2,924	524	31,768	0.00	29,980	3,038	548	33,566
DP 33104 - Behavioral Health Program Facilitator										
33	1.00	0	79,484	0	79,484	1.00	0	79,574	0	79,574
DP 33203 - Meth & CD Regional Services Expansion										
33	1.00	2,000,000	0	0	2,000,000	1.00	2,000,000	0	0	2,000,000
DP 33206 - Strategic Prevention Framework Incentive Grant										
33	2.00	0	0	2,332,000	2,332,000	2.00	0	0	2,332,000	2,332,000
DP 33304 - MCDC Staff (Modified and Other)										
33	6.00	0	340,906	0	340,906	6.00	0	344,518	0	344,518
DP 33407 - Fund 72 hr Community Crisis Support										
33	0.00	1,861,245	0	171,525	2,032,770	0.00	1,860,334	0	172,436	2,032,770
DP 33410 - Mental Health Community Services Development										
33	2.50	0	129,522	0	129,522	2.50	0	145,000	0	145,000
DP 33413 - Federal Data Infrastructure Grant										
33	1.00	0	0	142,200	142,200	1.00	0	0	142,200	142,200
DP 33415 - Additional HCBS Waiver Slots										
33	0.00	0	252,062	550,938	803,000	0.00	0	252,865	550,135	803,000
DP 33701 - Provider Rate Increases										
33	0.00	160,525	327,689	730,386	1,218,600	0.00	680,487	362,087	1,539,439	2,582,013
DP 33801 - Direct Care Worker Wage Increase - Restricted										
33	0.00	224,964	0	491,711	716,675	0.00	225,681	0	490,994	716,675
DP 33802 - Behavioral Inpatient Health Facility - Restricted										
33	0.00	0	0	0	0	0.00	3,000,000	0	3,263,417	6,263,417
DP 33803 - Mental Health Drop In Centers - Restricted										
33	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
DP 33804 - Suicide Prevention - Restricted										
33	1.00	400,000	0	0	400,000	1.00	400,000	0	0	400,000
DP 33805 - Mentally Ill Offender Assistance - Restricted										
33	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
DP 33808 - Mentally Ill Offender Drugs - Biennial/Restr./OTO										
33	0.00	950,000	500,000	0	1,450,000	0.00	0	500,000	0	500,000
DP 88306 - Mental Health Services Plan - Restricted										
33	3.00	2,601,531	0	0	2,601,531	3.00	2,601,531	0	0	2,601,531
Total	17.50	\$9,997,596	\$1,769,419	\$4,441,686	\$16,208,701	17.50	\$13,800,426	\$1,970,802	\$8,541,034	\$24,312,262

Sub-Program Details

MENTAL HEALTH 01

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	504.50	36.60	7.50	548.60	36.60	7.50	548.60	548.60
Personal Services	24,672,127	4,456,612	241,492	29,370,231	4,774,565	242,583	29,689,275	59,059,506
Operating Expenses	8,485,787	775,198	221,090	9,482,075	1,182,763	236,277	9,904,827	19,386,902
Equipment	27,000	0	0	27,000	0	0	27,000	54,000
Grants	5,241,850	0	2,532,770	7,774,620	0	2,532,770	7,774,620	15,549,240
Benefits & Claims	39,949,848	11,710,105	7,106,599	58,766,552	7,838,784	13,584,336	61,372,968	120,139,520
Debt Service	74,212	0	0	74,212	0	0	74,212	148,424
Total Costs	\$78,450,824	\$16,941,915	\$10,101,951	\$105,494,690	\$13,796,112	\$16,595,966	\$108,842,902	\$214,337,592
General Fund	44,369,309	7,072,713	6,850,965	58,292,987	8,609,770	9,259,500	62,238,579	120,531,566
State/Other Special	4,930,486	4,571,142	1,195,250	10,696,878	(1,737,887)	1,240,991	4,433,590	15,130,468
Federal Special	29,151,029	5,298,060	2,055,736	36,504,825	6,924,229	6,095,475	42,170,733	78,675,558
Total Funds	\$78,450,824	\$16,941,915	\$10,101,951	\$105,494,690	\$13,796,112	\$16,595,966	\$108,842,902	\$214,337,592

The appropriation for the mental health function grows \$57.4 million total funds, including \$31.8 million general fund, compared to base expenditures doubled. Most of the increase is in services, which includes approval of the following executive proposals:

- Medicaid mental health services - \$11.2 million total, including \$3.3 million general fund
- Annualization of the HCBS waiver started in FY 2007 - \$8.4 million total funds, including \$2.7 million health and Medicaid initiatives state special revenue
- 72 hour crisis stabilization funding - \$4.1 million total funds, including \$3.7 million general fund

Other mental health services expansions were added by legislative initiative, including:

- \$6.3 million for behavioral health inpatient facility services in FY 2009, including \$3.0 million general fund
- \$5.2 million general fund for expansion of MHSP and conversion from a grant program to fee for service
- \$2.7 million total funds, including \$1.7 million general fund, for community services and prescription drugs for mentally ill offenders
- \$0.8 million general fund for a suicide prevention program
- \$0.7 million general fund for mental health drop in centers
- \$3.6 million, including \$0.09 million general fund and \$0.3 million in health and Medicaid initiatives state special revenue, for direct care worker wage increases and provider rate increases above the executive recommendation

The legislature appropriated \$10.8 million more general fund for the two mental health state institutions, for:

- 36.60 new FTE for MSH population growth - \$3.3 million
- Overtime, holiday, and shift differential pay - \$4.4 million
- Operating cost increases - \$1.8 million

The appropriation increase for state institutions does not include the 2009 biennium pay plan. Over 90 percent of the \$3.8 million pay plan amount for AMDD will be used by the state institutions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,652,916					1,927,480
Vacancy Savings				(1,052,986)					(1,063,983)
Inflation/Deflation				202,102					222,069
Fixed Costs				(105,362)					(89,544)
Total Statewide Present Law Adjustments				\$696,670					\$996,022
DP 6015 - State Motor Pool Change									
0.00	(4,386)	(637)	(652)	(5,675)	0.00	(4,365)	(634)	(647)	(5,646)
DP 33401 - Medicaid FMAP - Mental Health									
0.00	670,404	0	(670,404)	0	0.00	703,781	0	(703,781)	0
DP 33402 - Medicaid Caseload Adjustment - Mental Health									
0.00	1,275,063	87,812	2,978,875	4,341,750	0.00	2,045,837	87,812	4,641,990	6,775,639
DP 33414 - Annualize HCBS Waiver									
0.00	0	1,323,324	2,892,426	4,215,750	0.00	0	1,327,540	2,888,210	4,215,750
DP 33501 - MSH OT/Diff/Holiday Pay & Aggregate FTE Funding									
0.00	1,684,211	8,038	0	1,692,249	0.00	1,720,533	0	0	1,720,533
DP 33502 - MSH Present Law Adjustments									
0.00	496,987	0	0	496,987	0.00	783,347	0	0	783,347
DP 33503 - MSH 36.6 Modified FTE									
36.60	1,668,572	0	0	1,668,572	36.60	1,683,031	0	0	1,683,031
DP 33601 - MMHNCC OT/Diff/Holiday Pay & Aggregate FTE Funding									
0.00	495,861	0	0	495,861	0.00	507,504	0	0	507,504
DP 33602 - MMHNCC Present Law Adjustments									
0.00	187,146	0	0	187,146	0.00	272,537	0	0	272,537
DP 33809 - Mental Health Drugs - Biennial									
0.00	0	3,152,605	0	3,152,605	0.00	0	(3,152,605)	0	(3,152,605)
Total Other Present Law Adjustments									
36.60	\$6,473,858	\$4,571,142	\$5,200,245	\$16,245,245	36.60	\$7,712,205	(\$1,737,887)	\$6,825,772	\$12,800,090
Grand Total All Present Law Adjustments				\$16,941,915					\$13,796,112

DP 6015 - State Motor Pool Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

DP 33401 - Medicaid FMAP - Mental Health - The legislature added \$1.4 million general fund over the biennium that offsets a like amount of federal Medicaid funds. This funding switch accounts for the reduction in the federal match rate and is the amount necessary to fund base Medicaid expenditures over the 2009 biennium. Funding changes for eligibility and service utilization growth are included in the following appropriation.

DP 33402 - Medicaid Caseload Adjustment - Mental Health - The legislature appropriated \$11.1 million total funds over the biennium, which includes \$3.3 million general fund and \$0.2 million state special revenue from the health and Medicaid initiatives account. This appropriation supports:

- Regular Medicaid cost growth based on a 3.5 percent annual change from estimated FY 2007 costs
- Medicaid Program for Assertive Community Treatment (PACT) and Intensive Community-Based Rehabilitation (ICBR) services, which were underutilized in the 2007 biennium
- Inpatient hospitalization increase
- Non-secure crisis stabilization bed funding

DP 33414 - Annualize HCBS Waiver - The legislature appropriated \$8.4 million total funds over the biennium, including \$2.7 million in health and Medicaid initiatives state special revenue funds to annualize the home and community-based (HCBS) Medicaid waiver for adults with a severe and disabling mental illness that was approved by the 2005

Legislature. The AMDD waiver is similar to waivers already administered for elderly, physically disabled, and developmentally disabled adults. This funding will serve about 105 persons in FY 2008 and FY 2009 at a daily rate of \$110. Depending on the required service intensity, additional eligible persons could be served. The waiver was anticipated to start in January 2007, but DPHHS did not receive federal approval until late November, which delayed the start up. This waiver is only the second of its kind in the nation.

DP 33501 - MSH OT/Diff/Holiday Pay & Aggregate FTE Funding - The legislature appropriated \$3.4 million general fund and a small amount of state special revenue for personal services costs, including holidays worked, overtime, differential and physician on-call for MSH. These costs are removed from the base budget and must be reauthorized by the legislature each biennium. These costs are paid to maintain staffing requirements at a facility that operates 24 hours a day, 7 days a week.

DP 33502 - MSH Present Law Adjustments - The legislature funded the executive request for \$1.3 million general fund over the biennium for pharmacy, outside medical, food contract with Montana State Prison, and replacement equipment for MSH. Pharmacy costs for administration, dispensing fees, and drugs add \$361,330 in FY 2008 and \$569,525 in FY 2009, based on a 10.0 percent growth rate from the base budget amount of \$1,720,618.

MSH pays for all medical costs for residents who do not have Medicare, Medicaid, or personal funds to pay the costs. Expenses include services outside the facility such as lab, hospital, x-rays, dental, and optometry. FY 2006 expenditures were \$422,137. The 2009 biennium budget includes an additional \$88,649 in FY 2008 and \$139,727 in FY 2009, based on 10.0 percent inflation for FY 2007, FY 2008, and FY 2009.

The food services contract cost was \$223,845 in FY 2006. Inflation of 10.0 percent per year for FY 2007, FY 2008 and FY 2009 results in an appropriation of \$47,008 in FY 2008 and \$74,094 in FY 2009.

DP 33503 - MSH 36.6 Modified FTE - The legislature approved the executive request for \$3.4 million general fund to continue support for 36.60 FTE added during FY 2006 to address MSH populations in excess of licensed capacity. From FY 2004 to FY 2005 admissions increased by 9.0 percent. While discharges from the hospital also increased over that time period, the population remained above licensed capacity. Federal hospital regulations and oversight increased staff workload. The additional staff will be used to enhance oversight, meet federal hospital regulations, and increase treatment and therapeutic activities for the patients. The executive budget request anticipated that some of these positions would have transferred to staff the proposed STEP program, which was not approved by the legislature.

DP 33601 - MMHNCC OT/Diff/Holiday Pay & Aggregate FTE Funding - The legislature appropriated \$1.0 million general fund to pay the following personal services costs: holidays worked, overtime, differential, and physician on-call for the nursing care center. These personal services costs are removed from the base budget and must be reauthorized by the legislature each biennium. These payments maintain minimum staffing requirements at an institution that operates 24 hour a day, 7 days a week.

DP 33602 - MMHNCC Present Law Adjustments - The legislature funded the executive request for \$459,683 general fund for anticipated cost increases in pharmacy, outside medical, replacement equipment, and nursing facility bed tax for the nursing care center. All cost increases were estimated at 10.0 percent per year from base budget expenditures. Pharmacy costs rise \$141,110 in FY 2008 and \$222,417 in FY 2009 compared to base budget expenditures of \$671,954.

MMHNCC pays for all medical costs for residents who do not have Medicare, Medicaid, or personal funds to pay the costs. Expenses include services outside the facility such as lab, hospital, x-rays, dental, and optometry. FY 2006 expenditures were \$33,763 and this appropriation adds \$7,090 in FY 2008 and \$11,176 in FY 2009.

MMHNCC is a licensed nursing facility and pays the nursing home bed tax. In FY 2006 the tax rate was \$7.05 per day. The FY 2006 bed days were estimated to be 29,565 for an average daily population of 81 for the year. In FY 2007 the tax rate increases to \$8.30 per day, which will add another \$38,945 compared to base budget costs of \$245,390.

DP 33809 - Mental Health Drugs - Biennial - The legislature continued the appropriation from health and Medicaid initiative account made in the 2007 biennium to fund MHSP drug costs. It also shifted \$3.2 million in health and Medicaid initiatives account state special revenue from FY 2009 to FY 2008 to create a biennial appropriation. These expenditures are part of the base budget and this action does not increase overall funding. Persons must have incomes below 150 percent of the federal poverty level, have a serious and disabling mental illness, and cannot be eligible for Medicaid. The legislature anticipates that this appropriation will be used as the state Medicaid match for the Health Insurance Flexibility and Accountability (HIFA) waiver, which is discussed in more detail in the agency narrative.

New Proposals

New Proposals										
Sub Program	FTE	Fiscal 2008				Fiscal 2009				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33407 - Fund 72 hr Community Crisis Support										
01	0.00	1,861,245	0	171,525	2,032,770	0.00	1,860,334	0	172,436	2,032,770
DP 33410 - Mental Health Community Services Development										
01	2.50	0	129,522	0	129,522	2.50	0	145,000	0	145,000
DP 33413 - Federal Data Infrastructure Grant										
01	1.00	0	0	142,200	142,200	1.00	0	0	142,200	142,200
DP 33415 - Additional HCBS Waiver Slots										
01	0.00	0	252,062	550,938	803,000	0.00	0	252,865	550,135	803,000
DP 33701 - Provider Rate Increases										
01	0.00	69,931	313,666	699,362	1,082,959	0.00	428,660	343,126	1,476,293	2,248,079
DP 33801 - Direct Care Worker Wage Increase - Restricted										
01	0.00	224,964	0	491,711	716,675	0.00	225,681	0	490,994	716,675
DP 33802 - Behavioral Inpatient Health Facility - Restricted										
01	0.00	0	0	0	0	0.00	3,000,000	0	3,263,417	6,263,417
DP 33803 - Mental Health Drop In Centers - Restricted										
01	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
DP 33804 - Suicide Prevention - Restricted										
01	1.00	400,000	0	0	400,000	1.00	400,000	0	0	400,000
DP 33805 - Mentally Ill Offender Assistance - Restricted										
01	0.00	371,647	0	0	371,647	0.00	371,647	0	0	371,647
DP 33808 - Mentally Ill Offender Drugs - Biennial/Restr./OTO										
01	0.00	950,000	500,000	0	1,450,000	0.00	0	500,000	0	500,000
DP 88306 - Mental Health Services Plan - Restricted										
01	3.00	2,601,531	0	0	2,601,531	3.00	2,601,531	0	0	2,601,531
Total	7.50	\$6,850,965	\$1,195,250	\$2,055,736	\$10,101,951	7.50	\$9,259,500	\$1,240,991	\$6,095,475	\$16,595,966

DP 33407 - Fund 72 hr Community Crisis Support - The legislature approved the executive request for \$3.7 million general fund and \$0.3 million federal funds for the biennium to provide up to 72 hours of crisis stabilization care for adults with severe disabling mental illness, who are uninsured. Care will be provided in a community and/or hospital setting based upon the individual's needs. Determination of appropriate crisis stabilization care will be made by a licensed mental health professional.

This appropriation also includes funding to develop and implement a contractual tele-medicine network to provide psychiatric consultation services across the state in areas where psychiatrists are not available. Services may be delivered through a contracted psychiatric assistance hotline and may include training for specific emergency personnel.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Individuals in a psychiatric crisis are often transferred to MSH when community facilities lack the skills and expertise to provide stabilization services. A review of admission data from MSH indicates that approximately 40 percent of the individuals admitted under an emergency or court-ordered detention do not require high-end care after a brief stabilization period. This proposal provides funding for brief stabilization services to be provided in the community with clinical support provided by contractor(s).

Goal: The goal of this proposal is to provide short-term stabilization close to the individual's home, family, and community supports. This service is intended as an alternative to transportation and stabilization at the MSH.

Performance Criteria: Effectiveness would be measured by a comparison of historical practices (admissions) with actual admissions during FY 2008 and FY 2009.

Milestones: Major milestones would be:

- Establish baseline data by county for admissions to MSH for previous 24 month period – August 2007
- Develop and award RFP for contracted psychiatric consultation by October 2007
- Allocate available funding for 72-hour presumptive eligibility for uninsured. Allocation would be by Service Area Authority regions to ensure that limited funding is distributed equitably across the state – October 2007

FTE: No FTE are requested.

Funding: Since the target population to be served would include mostly uninsured individuals, alternative funding sources to general fund do not exist. Medicaid would be used where possible.

Obstacles: The following obstacles may be encountered:

- Funding expended prior to the end of the fiscal year due to demand
- Difficulty in contracting for psychiatric consultation services due to availability of contractor, cost of consultation, or unanticipated requirements

Risk: This proposal offers an alternative response to individuals in crisis. Without the ability to provide community crisis stabilization, communities across the state would continue to divert individuals to more expensive services, either to facilities with psychiatric units or to MSH.

DP 33410 - Mental Health Community Services Development - The legislature provided \$274,522 in tobacco settlement trust fund interest for 2.50 FTE. The positions will be filled by individuals who have a primary diagnosis of mental illness and are certified peer specialists. The five half-time staff will provide focused re-entry support services, including assistance in accessing community services, to persons who are discharged from MSH. The goal of this service is to reduce readmissions to the state hospital at 30- and 60-day intervals, as a result of assisted re-integration to community settings.

The executive reduced this request by about \$846,00 because of the legislative initiatives to fund expansion of mental health services, including the \$2.6 million annual general fund increase for MHSP. Also, originally the request was fully funded from the general fund.

DP 33413 - Federal Data Infrastructure Grant - The legislature appropriated \$284,400 federal funds for 1.00 FTE, related operating and equipment costs to continue development of data capacity within the Mental Health Bureau. The FTE will develop and generate routine ad hoc reports for state planning and dissemination to the bureau, division, legislature, mental health services consumers, and other stakeholders. As new evidence based practices are implemented the analyst will process and report fidelity data. The position will be responsible for the collection and analysis of data, including determining what would be assessed, how it would be collected, and evaluating the outcomes. The position will design and complete focused statistical analysis on data to identify and explicate the consequences and effects of programs and policies.

DP 33415 - Additional HCBS Waiver Slots - The legislature approved the executive request for 20 additional slots for the HCBS waiver administered by AMDD. The slots were added partially in response to an LFD issue that identified the potential for persons already receiving services in the HCBS waiver administered by the Senior and Long Term Care Division to transfer to the new AMDD waiver, resulting in a lower overall expansion of services than anticipated by the 2005 Legislature. Addition of the slots should result in an overall increase in service levels originally anticipated by the legislature. The legislature appropriated \$1.6 million total funds, including \$0.5 million from the health and Medicaid initiatives state special revenue account for this expansion.

DP 33701 - Provider Rate Increases - The legislature approved \$3.8 million, including \$0.8 million general fund, over the biennium for provider rate increases. Rate increases for chemical dependency are about \$0.5 million, including \$0.4 million of general fund. The balance (\$3.3 million and \$0.3 million general fund) is allocated to mental health services.

When the legislature adjourned the regular session, HB 820 included a 2.5 percent annual rate increase each year of the biennium. The Governor's revised proposal to the May 2007 Special Session used the HB 820 amount as a starting point and reduced the general fund appropriation amounts for all provider rate increases by about 26 percent. Other funding sources were not changed. Therefore, rate increases fully or partially funded from the general fund were lowered more than rate increases funded from state special revenue and federal funds. The impact of this disparity is most pronounced in AMDD where funding is adequate to support the following provider rate increases:

- o Medicaid providers - 2.45 percent in FY 2008 and an additional 2.32 percent in FY 2009
- o NonMedicaid providers - 1.39 percent in FY 2008 and an additional 2.34 percent in FY 2009

A table in the agency narrative shows provider rate increases by service.

DP 33801 - Direct Care Worker Wage Increase - Restricted - The legislature appropriated \$1.4 million total funds, including \$0.4 million general fund, to increase direct care worker wages to \$8.50 per hour, including related benefits, for certain classes of workers and increase wages of all direct care workers by up to \$0.70 per hour, including benefits such as federal and state income taxes and workers' compensation costs. The funds may not be used for any other purpose. This appropriation is a legislative initiative and was not included in the executive budget request.

Providers accepting the rate increase from this appropriation agree to increase wages and related benefits to \$8.50 and then use the balance of funds to provide wage increases to all direct care workers. The legislature included language in HB 2 to restrict these funds from being used to supplant wage increases negotiated or specified in other written agreements. The department is required to track amounts distributed as wage increases and report the data to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services. Implementation is anticipated October, 2007. A table showing the amount appropriated for direct care worker wage increases by program is included in the agency narrative.

DP 33802 - Behavioral Inpatient Health Facility – Restricted/OTO - The legislature appropriated \$3.0 million general fund and \$3.2 million federal matching funds in FY 2009 to pay for services provided by behavioral inpatient health facilities (BHIFs), which offer secure crisis stabilization, assessment, and treatment for a defined time, for not more than 45 days. BHIFs are smaller than hospitals, with no more than 16 beds, and are a Medicaid payable service. Language restricts the appropriation to be used for services. It may not be used for development of a facility and it is a one-time-only appropriation.

DP 33803 - Mental Health Drop In Centers - Restricted - The legislature at its own initiative appropriated \$0.7 million general fund over the biennium to support community drop in centers for persons with a mental illness. Drop in centers with staff who can assist persons with medication management must receive priority in consideration for funding. The legislature included language in HB 2 to restrict the use of the appropriation.

DP 33804 - Suicide Prevention - Restricted - The legislature appropriated \$0.8 million general fund that may be used only to implement a comprehensive suicide prevention program. At a minimum the program must include a suicide prevention officer, a comprehensive suicide reduction plan, and a 24-hour suicide prevention hotline.

DP 33805 - Mentally Ill Offender Assistance - Restricted - The legislature at its own initiative appropriated \$0.7 million general fund over the biennium to be used only to fund mental health services for persons under supervision of the Community Corrections Division of the Department of Corrections. The services may include case management, treatment, transition support, and medication monitoring. In addition, training will be provided to community probation and parole officers about mental illness and chemical dependency, and ways to help offenders become enrolled in public benefit programs if appropriate.

DP 33808 - Mentally Ill Offender Drugs - Biennial/Restricted/OTO - The legislature at its own initiative appropriated \$0.95 million general fund and \$1.0 million in state special revenue, which may be used only to provide a prescription benefit for adult and juvenile offenders leaving secure care, who meet the criteria for serious mental illness, and who have not yet been enrolled in public benefit programs. Benefits may include a 60-day supply of medications and other short-term medication purchases for offenders who become unstable and need medications, are waiting for other sources of public assistance, or who lose employment or suffer some other traumatic event. AMDD will administer this benefit through the existing MHSP infrastructure. The legislature appropriated state special revenue so that AMDD can bill the Department of Corrections for services provided. The appropriation is a one-time-only appropriation.

DP 88306 - Mental Health Services Plan - Restricted - The legislature appropriated \$5.2 million general fund over the biennium to expand MHSP, which serves individuals who have a severe disabling mental illness and income no greater than 150 percent of the federal poverty level, and who are not eligible for Medicaid. This funding is a legislative initiative and above the level requested in the executive budget.

Current services include case management, psychiatric medication management, pharmacy, lab, day treatment, psychiatry, and limited outpatient visits and community based psychosocial rehabilitation. This funding supports service expansion and 3.00 FTE to perform benefits management. The enhanced funding for this program will:

- Serve individuals not currently receiving services and provide additional services to persons who are currently underserved;
- Be provided on a fee-for-service basis;
- Allow participants to choose any willing and enrolled provider;
- Serve individuals who are released from the Montana State Hospital or are referred on the basis of suicide ideation as a priority population; and
- Provide data collection and analysis by the department to determine number of new enrollees, per person costs, number of individuals served who are discharged from the Montana prison system and percent of increased service delivery over FY 2007 data.

DPHHS staff made a commitment to the legislature that AMDD would transition MHSP from a grant funded service system to a fee for service system beginning no later than FY 2009. The appropriation included funds for and language directing preparation and presentation of reports to the Legislative Finance Committee and the Interim Committee on Children, Families, Health, and Human Services, which are required semi annually. The language requiring a report was vetoed by the Governor.

Sub-Program Details

ADDICTION TREATMENT & PREVENTION 02

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	55.25	0.00	9.00	64.25	0.00	9.00	64.25	64.25
Personal Services	2,590,400	420,273	393,043	3,403,716	449,129	395,230	3,434,759	6,838,475
Operating Expenses	1,350,903	85,894	350,342	1,787,139	138,290	354,521	1,843,714	3,630,853
Grants	1,392,287	0	2,000,000	3,392,287	0	2,000,000	3,392,287	6,784,574
Benefits & Claims	6,387,926	575,348	2,062,462	9,025,736	599,530	2,260,701	9,248,157	18,273,893
Debt Service	24,434	0	2,700	27,134	0	0	24,434	51,568
Total Costs	\$11,745,950	\$1,081,515	\$4,808,547	\$17,636,012	\$1,186,949	\$5,010,452	\$17,943,351	\$35,579,363
General Fund	39,854	0	2,090,594	2,130,448	(39,854)	2,251,827	2,251,827	4,382,275
State/Other Special	3,627,226	555,812	354,929	4,537,967	658,144	363,479	4,648,849	9,186,816
Federal Special	8,078,870	525,703	2,363,024	10,967,597	568,659	2,395,146	11,042,675	22,010,272
Total Funds	\$11,745,950	\$1,081,515	\$4,808,547	\$17,636,012	\$1,186,949	\$5,010,452	\$17,943,351	\$35,579,363

The addiction treatment and prevention 2009 biennium appropriation is \$12.1 million higher compared to base expenditures doubled. General fund grows substantially, from under \$40,000 in base budget funding to \$4.3 million general fund in the 2009 biennium. The legislature approved the executive request for \$4.0 million general fund to expand community treatment for methamphetamine and chemical dependency and \$0.3 million for provider rate increases, including services funded from federal block grant funds. As noted in the division funding section, historically alcohol tax has been used almost exclusively as the state funding source for chemical dependency services.

Other increases for the addiction and prevention function include:

- Federal grant funds to develop community prevention programs - \$4.7 million
- Medicaid service and eligibility increases - \$1.2 million
- MCDC staff - \$0.7 million

The legislature also approved funding for 9.00 new FTE for:

- MCDC staff increases – 6.00 FTE
- Federal grant funding to develop community prevention programs – 2.00 FTE
- Administration of new chemical dependency and methamphetamine treatment – 1.00 FTE

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				422,841						449,995
Vacancy Savings				(120,527)						(121,616)
Inflation/Deflation				4,613						5,525
Fixed Costs				(426)						6,095
Total Statewide Present Law Adjustments				\$306,501						\$339,999
DP 33201 - Medicaid FMAP - Chemical Dependency	0.00	0	24,944	(24,944)	0	0.00	0	26,178	(26,178)	0
DP 33202 - CD Medicaid Caseload Adjustment	0.00	0	180,602	394,746	575,348	0.00	0	188,792	410,738	599,530
DP 33301 - MCDC OT/Diff/Holiday Pay & Aggregate FTE Funding	0.00	0	117,959	0	117,959	0.00	0	120,750	0	120,750
DP 33302 - MCDC Present Law Adjustments	0.00	0	81,707	0	81,707	0.00	0	126,670	0	126,670
Total Other Present Law Adjustments				\$775,014	0.00	\$0	\$462,390	\$384,560		\$846,950
Grand Total All Present Law Adjustments				\$1,081,515						\$1,186,949

DP 33201 - Medicaid FMAP - Chemical Dependency - A reduction in the federal Medicaid match rate increases the amount of state special revenue necessary to maintain the chemical dependency Medicaid program. The legislature appropriated \$51,122 of alcohol tax state special revenue over the biennium to cover the corresponding decrease in federal Medicaid funding.

DP 33202 - CD Medicaid Caseload Adjustment - The legislature added \$1.2 million total funds for increases in chemical dependency Medicaid services, with state matching funds of about \$0.4 million from alcohol state special revenue. Medicaid youth residential services are also expected to increase each year by \$427,176 for new providers that were not providing these services previously and are a significant component of the expected growth.

DP 33301 - MCDC OT/Diff/Holiday Pay & Aggregate FTE Funding - The legislature approved the executive request for \$238,709 over the biennium from alcohol tax state special revenue for personal services costs for MCDC that have been removed from the base budget and must be reauthorized by the legislature each biennium. These costs include holidays worked, overtime, differential, and physician on-call necessary to maintain minimum staffing requirements at a 24 hour a day, 7 days a week, 365 days a year facility.

DP 33302 - MCDC Present Law Adjustments - The legislature appropriated \$208,377 alcohol tax state special revenue over the biennium for inflationary increases for pharmacy, outside medical, and facility rent and food services for MCDC.

New Proposals

New Proposals										
Fiscal 2008					Fiscal 2009					
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33203 - Meth & CD Regional Services Expansion										
02	1.00	2,000,000	0	0	2,000,000	1.00	2,000,000	0	0	2,000,000
DP 33206 - Strategic Prevention Framework Incentive Grant										
02	2.00	0	0	2,332,000	2,332,000	2.00	0	0	2,332,000	2,332,000
DP 33304 - MCDC Staff (Modified and Other)										
02	6.00	0	340,906	0	340,906	6.00	0	344,518	0	344,518
DP 33701 - Provider Rate Increases										
02	0.00	90,594	14,023	31,024	135,641	0.00	251,827	18,961	63,146	333,934
Total	9.00	\$2,090,594	\$354,929	\$2,363,024	\$4,808,547	9.00	\$2,251,827	\$363,479	\$2,395,146	\$5,010,452

DP 33203 - Meth & CD Regional Services Expansion - The legislature approved the executive request for \$4.0 million general fund over the biennium to implement a residential treatment service to address the longer-term support needed for the recovery from methamphetamine, other drugs, and alcohol abuse. Evidence-based, patient-centered, and outcome-oriented chemical dependency interventions will be used for treatment. The population served frequently includes individuals with a co-occurring illness, who may be in the correctional system.

This appropriation will fund five group homes and anticipates that two of the homes will be sited on reservations. The group homes will serve about 84 persons a year. The appropriation will also provides funding to serve an additional 64 individuals through existing providers.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Montana lacks the intermediate, longer-term level of care that would enable a safe living environment for individuals needing treatment to move to both directions in the continuum. Often, individuals needing continued treatment are returned to the very environments that enabled their addictions and recovery ceases. In order to ensure individuals have a successful treatment episode, it is imperative that evidence-based treatment services are available throughout the continuum of care to address individual needs.

Goal: Provide Montanans who have been identified with a methamphetamine or other substance abuse problem with needed supportive living and community-based residential treatment services. Through a request for proposals (RFP), implement five community and two reservation residential treatment programs that would each provide intensive outpatient treatment services and daily living skills training to eight individuals. An average of nine months of treatment would be necessary for this service which would enable the treatment of approximately 84 individuals per year. It is estimated that the cost of operating each treatment home would be about \$200,000 per year.

Additionally, the proposal seeks funding for an eight bed treatment facility that would serve the most difficult patients transitioning to one of the seven residential treatment homes. These individuals, generally, would require more intensive medical monitoring than would be available in one of the seven residential facilities, but do not need more intensive inpatient services, such as those provided by the MCDC or other private inpatient treatment programs. The request assumes that each of these beds would be used an average of 45 days and would, therefore, serve approximately 64 people per year. It is estimated that it would cost approximately \$500,000 per year to operate this facility due to the more increased medical model required for this level of care.

Performance Criteria: Program outcomes would be closely monitored and would include such items as:

- Increase in the length of time of non-use
- Decrease in the number of encounters with law enforcement
- Decrease in the admissions to inpatient treatment
- Increase in the length of gainful employment

Milestones:

- January 2007 – establish a workgroup to develop residential evidence-based care standards and performance/outcome criteria.
- April 2007 – An RFP developed and released for both supportive living and community-based residential treatment services
- May 2007 – Award proposals
- July 2007 – Implement programs

FTE: 1.00 grade 15 FTE would be required to monitor and assist with the management of this program.

Funding: Funding of this program would require general fund as other funding alternatives do not exist

Obstacles:

- Availability and expertise of qualified treatment workforce
- Availability of homes or physical locations to support such service

Risk: Current treatment dollars cannot provide additional long-term treatment needed to address the individual needs of methamphetamine and other drug users, individuals with co-occurring disorders and the correctional population. This group would continue to be without necessary services or would be on waiting lists for services.

DP 33206 - Strategic Prevention Framework Incentive Grant - The legislature funded the executive request for \$4.7 million in federal funds for the biennium to implement the State Prevention Framework-State Incentive Grant. This grant focuses on infrastructure and capacity building at state and community levels to deliver and sustain effective substance abuse prevention services. Two FTE are funded to monitor and assist with management and implementation of the grant, day to day activities, performance monitoring, and training for providers. The funding will also provide for data collection and analysis, personnel training, and the development of state certification criteria for prevention specialists, among other activities. The division will allocate funding to individual communities to implement evidence-based prevention programs.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: Montana youth have the second highest rate of illicit drug use, the sixth highest rate of tobacco use and the fourth highest rate of alcohol use in all 50 states (2002 Prevention Needs Assessment & 2003 Youth Risk Behavioral Survey). The state needs enhanced infrastructure for substance abuse prevention services to avoid collecting the same data sets, unite state and local prevention efforts, and address cultural differences.

Goals: The long-term goals of the grant are to:

- Build prevention capacity and infrastructure at the state and community levels
- Reduce substance abuse-related problems in communities
- Prevent the onset and reduce the progression of substance abuse including childhood and underage drinking

Performance Criteria: Program outcomes would be closely monitored and would include such items as:

- Increase in the number of evidence based prevention programs
- Decrease in the number of incidences of alcohol, tobacco and other drugs activities as identified by the Epidemiological Work Group
- Increase in the number of trained people to implement prevention
- Increase in number/content of memorandums of agreements with state agencies to ensure prevention efforts are implemented to support each agency's efforts.

Milestones: Major milestones include:

- Epidemiological workgroup first meeting: October 2006
- Advisory Task Force first meeting: January 2007
- Publication of "State of Kids", youth substance abuse epidemiological report: June 2007
- Training of community trainers by June 2007
- The implementation of an identification and referral procedure/system by June 2008
- Development of "data training" curriculum that teaches community specialists how to use the
- "State of Kids" report in their communities: June 2007

FTE: The proposal funds 2.00 FTE who would be responsible for the implementation of the grant, day to day activities, performance monitoring and training for providers

Funding: The proposal is fully funded from a federal grant. There is no matching requirement or future commitment of general fund.

Obstacles:

- o Territorial barriers exist between prevention programs—both at the state and community level.
- o Geographical barriers because the distribution of population across the state usually drives prevention funding but many of our small communities still need to have prevention services available.

Risk: Without implementation of the grant, the state could fail to create a unified statewide substance abuse prevention program that partners state agencies with local communities, providing effective and sustainable interventions for youth substance abuse. Without this effort, Montana would continue to experience unreasonably high rates of drug use.

DP 33304 - MCDC Staff (Modified and Other) - The legislature funded the executive request to continue 6.00 modified FTE added in FY 2007 due to patient and staff safety issues. Operating costs and equipment are also funded. In total the legislature added \$685,424 of alcohol state special revenue over the biennium for these costs.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: MCDC is a sub-acute care facility with a 76-bed capacity providing treatment to individuals who are significantly compromised by virtue of interrelated physical, mental and addictive disorders and dysfunction. This complex treatment has been accomplished with 48.25 FTE on a 24-7-365 schedule, serving between 700-800 patients per year. This is extremely inadequate to address the myriad of issues arising daily and to provide safety for both patients and staff. Over 80 percent of our patients have some level of legal involvement from the relatively benign to serious and violent, 100 percent are withdrawing from substances, 70 percent have identifiable psychiatric disorders, and approximately 75 percent have medical disorders ranging from the routine to life-threatening. Treatment is complex and requires skilled professional intervention coupled with paraprofessional milieu and therapeutic management.

Without adequate staffing, treatment and recovery are compromised, patient access to treatment is reduced, retention in treatment is at risk and patient/staff safety risks are increased. This proposal includes approval of 6.00 modified FTE added in FY 2007.

Goal(s):

1. Increase patient access to treatment;
2. Increase patient retention in treatment; and
3. Increase staff-to-patient ratio and the hours of active staff to patient interactions.

Performance Criteria: MCDC would use the Totally Integrated Electronic Record (TIER) database to track goals. A graphic format would be utilized to evidence trends of data to reflect the impact of increased staffing patterns.

1. MCDC would achieve a 5.0 percent increase, in the first year following implementation, of the number of patients admitted to treatment;
2. Patient retention in treatment would achieve an annual 5 percent reduction in patients leaving treatment early by the categories of Against Medical Advice (AMA) or At Staff Request (ASR) in the first year following implementation; and
3. The staff-to-patient ratio would be evidenced immediately upon hire of new staff, and increased proportionately to the amount of staff hired, with more staff being assigned to the lighter staffed shifts; i.e. afternoons, nights and weekends. The amount of time treatment professionals can spend with clients would increase by 10 percent.

Milestones:

- o Retain the 6.00 FTE hired in FY 2007

FTE:

- o 6.0 FTE – 1.00 FTE licensed addiction counselor – responsible for providing addiction counseling services; 5.00 FTE treatment specialists – responsible for milieu management of patients and providing defined therapeutic services.

Funding: State special revenue alcohol tax.

Obstacles: Recruitment and retention of staff have historically been difficult in a labor market area that is very wage competitive.

Risk: Safety to staff and patients and effective clinical treatment interventions would be, and have been, compromised by not having adequate staffing for the very complex patients being served at MCDC. As the single state inpatient treatment facility for this particular population of Montana citizens, it is imperative that MCDC reduce risk and be effective in its treatment to minimize cost shifting to other government and private entities such as prisons and hospitals.

DP 33701 - Provider Rate Increase - The legislature approved \$3.8 million, including \$0.8 million general fund, over the biennium for provider rate increases. Rate increases for chemical dependency are about \$0.5 million, including \$0.4 million of general fund. The balance (\$3.3 million and \$0.3 million general fund) is allocated to mental health services.

When the legislature adjourned the regular session, HB 820 included a 2.5 percent annual rate increase each year of the biennium. The Governor's revised proposal to the May special session used the HB 820 amount as a starting point and reduced the general fund appropriation amounts for all provider rate increases by about 26 percent. Other funding sources were not changed. Therefore, rate increases fully or partially funded from the general fund were lowered more than rate increases funded from state special revenue and federal funds. The impact of this disparity is most pronounced in AMDD where funding is adequate to support the following provider rate increases:

- o Medicaid providers - 2.45 percent in FY 2008 and an additional 2.32 percent in FY 2009
- o NonMedicaid providers - 1.39 percent in FY 2008 and an additional 2.34 percent in FY 2009

A table in the agency narrative shows provider rate increases by service.

Sub-Program Details

AMDD DIVISION ADMIN 03

Sub-Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Sub-Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	13.00	0.00	1.00	14.00	0.00	1.00	14.00	14.00
Personal Services	817,025	(13,173)	1,285,503	2,089,355	(9,339)	2,693,144	3,500,830	5,590,185
Operating Expenses	227,069	41,761	12,700	281,530	47,817	12,700	287,586	569,116
Debt Service	7,550	0	0	7,550	0	0	7,550	15,100
Total Costs	\$1,051,644	\$28,588	\$1,298,203	\$2,378,435	\$38,478	\$2,705,844	\$3,795,966	\$6,174,401
General Fund	462,178	15,708	1,056,037	1,533,923	22,561	2,289,099	2,773,838	4,307,761
State/Other Special	88,702	1,631	219,240	309,573	2,211	366,332	457,245	766,818
Federal Special	500,764	11,249	22,926	534,939	13,706	50,413	564,883	1,099,822
Total Funds	\$1,051,644	\$28,588	\$1,298,203	\$2,378,435	\$38,478	\$2,705,844	\$3,795,966	\$6,174,401

The division administration appropriation rises \$4.1 million over the biennium. The most significant increase is the division pay plan appropriation for \$3.8 million total funds, including \$3.3 million general fund. The pay plan will be allocated across all division programs, most notably the state institutions where the bulk of division personnel work. A much smaller allocation to fund retirement costs is also appropriated to the division administration function and will also be allocated among division functions.

Ongoing appropriations related specifically to the division administration function include about \$160,000 state special revenue to continue 1.00 FTE who coordinates mental health treatment modalities between DOC and AMDD and other joint projects. DOC reimburses AMDD for the cost of the FTE. Other operating cost adjustments add slightly more than \$100,000 total funds over the biennium.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2008					Fiscal 2009				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				20,321					24,314
Vacancy Savings				(33,494)					(33,653)
Inflation/Deflation				1,418					1,474
Fixed Costs				(7,657)					(7,657)
Total Statewide Present Law Adjustments				(\$19,412)					(\$15,522)
DP 33101 - AMDD Operations Present Law Adjustments	0.00	23,708	4,631	19,661	48,000	0.00	26,671	5,211	22,118
Total Other Present Law Adjustments	0.00	\$23,708	\$4,631	\$19,661	\$48,000	0.00	\$26,671	\$5,211	\$22,118
Grand Total All Present Law Adjustments				\$28,588					\$38,478

DP 33101 - AMDD Operations Present Law Adjustments - The legislature funded the executive request for a number of operating cost increases including rent, travel, office supplies, dues, photocopying, minor office equipment, video conferencing and printing, and maintenance electronic records for facilities. The most significant increases funded are:

- o Rent for the Helena office building - \$11,000 for FY 2008 and \$15,000 for FY 2009, compared to base budget expenditures of \$114,686
- o Consulting and professional services to maintain electronic records for facilities - \$15,000 in FY 2008 and \$16,000 in FY 2009
- o Minor equipment, including computer equipment - \$6,000 per year
- o Office supplies, printing, and photocopying services - \$6,000 per year
- o Travel - \$4,000 per year
- o Dues, meeting and conference costs - \$3,000 per year
- o Two way video and postage - \$2,000 per year

New Proposals

New Proposals		Fiscal 2008				Fiscal 2009				
Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	1,027,717	136,832	22,402	1,186,951	0.00	2,259,119	283,720	49,865	2,592,704
DP 6014 - Retirement Employer Contributions-HB 63 and HB 131										
03	0.00	28,320	2,924	524	31,768	0.00	29,980	3,038	548	33,566
DP 33104 - Behavioral Health Program Facilitator										
03	1.00	0	79,484	0	79,484	1.00	0	79,574	0	79,574
Total	1.00	\$1,056,037	\$219,240	\$22,926	\$1,298,203	1.00	\$2,289,099	\$366,332	\$50,413	\$2,705,844

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent pay increase in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of funds for pay plan costs.

The pay plan allocation will be distributed among all programs administered by AMDD. The majority of the pay plan appropriation in this division supports pay increases for state institution employees.

DP 6014 - Retirement Employer Contributions-HB 63 and HB 131 - The legislature adopted HB 63 and HB 131, which increase the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund this increased contribution.

The retirement allocation will be distributed among all programs administered by AMDD. The majority of the retirement appropriation in this division supports allocations for state institution employees.

DP 33104 - Behavioral Health Program Facilitator - The legislature funded the executive request to continue a shared position between AMDD and DOC. AMDD provides 1.00 FTE to coordinate treatment modality between agencies, while DOC provides funding of position and related operational costs, such as travel and supplies. The departments have a signed memorandum of understanding and DOC is charged for actual expenditures incurred. The appropriation includes \$159,058 state special revenue over the biennium.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, edited by LFD staff for brevity and to include any legislative changes.

Justification: This proposal would continue development of a consistent, evidence based treatment strategy and modality across the DOC and DPHHS. This position continues a process that was begun in July 2006 through a cooperative agreement between the departments. The previous failure of these systems to connect had the potential of effectively endangering lives, wasting money, and threatening public safety – frustrating crime victims, consumers, family members and communities in general.

Goals:

- Coordinate services by acting as a liaison among different systems
- Promote and facilitate partnerships between the criminal justice and mental healthcare systems through effective policy development
- Promote regular communication among participating agencies through the convening of periodic meetings and other coordinating activities
- Gather system wide data on the designated target population and build information sharing networks across departments
- Identify and cultivate opportunities for sharing of resources among partners, eliminating the duplication of services where possible

The goals fit both departments' missions by developing programs for adult and juvenile offenders who also have a serious mental illness and/or a co-occurring substance use disorder.

Performance Criteria:

- The first draft of a strategic plan to implement a mental healthcare system seamlessly between the departments would be submitted for review by January 1, 2007. It would be developed with input from each department.
- A needs analysis of department information sharing would be coordinated and an initial draft recommending a plan on how to improve the flow of information between the departments would be submitted by December 1, 2007.
- Clinical and other data requirements would be defined and developed to track the treatment provided to the corrections population. The treatment would involve the integration of evidence based evaluation, assessment and treatment protocols that are consistent across the two departments. This would facilitate the transition across systems as an offender moves along.

Milestones: The final strategic plan would be completed and signed and approved by the directors of each department by July 1, 2008. Data would be analyzed and compiled in a report to the directors by August 2008.

FTE: The incumbent in the position was hired on July 17, 2006.

Funding: If approved, this budget request would make the position a permanent position and provide the authority to receive funding from the Department of Corrections for the cost of the position and related operating expenses.

Obstacles: Organizations are often at times reluctant to change. The departments sometimes face competing goals. The behavioral health facilitator would determine the best way to overcome challenges.

Risk: Without the position there would continue to be a duplication of services resulting in overall higher costs by both departments, less successful treatment outcomes for offenders without utilization of evidence based practices across systems, lack of coordination means offenders are not able to transition to community based services effectively, thereby increasing risk for recidivism and return to secure care.

Glossary / Acronyms / Index



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Glossary

A number of terms are used extensively in budgeting and appropriations. The most common terms, which are used throughout the budget analysis and in other fiscal materials, are listed and defined below.

Appropriations – An authorization by law for the expenditure of funds or to acquire obligations. Types of appropriations are listed below.

Biennial – A biennial appropriation is an appropriation made in the first year of the biennium, where the appropriated amount can be spent in either year of the biennium.

Budget amendment – See “Budget Amendment” below.

Continuing – An appropriation that continues beyond one biennium.

Language – An appropriation made in the language of the general appropriations act for a non-specific or limited dollar amount. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount.

Line Item – An appropriation made for a specific purpose and which cannot be used for any other purpose. Line item appropriations highlight certain appropriations and ensure that they can be separately tracked on the state accounting system.

One-time – Appropriations for a one-time purpose that are excluded from the base budget in the next biennium.

Restricted – An appropriation designated for a specific purpose or function.

Statutory – Funds appropriated in permanent law rather than a temporary bill. All statutory appropriations references are listed in 17-7-502, MCA.

Temporary - An appropriation authorized by the legislature in the general appropriations act or in a “cat and dog” bill that is valid only for the biennium.

Appropriation Transfers (also see “Supplemental Appropriation”) – The transfer of funds appropriated for the second year of the biennium to the first if the Governor or other approving authority determines that due to an unforeseen or unanticipated emergency there are insufficient funds in the first year for the operation of an agency.

Approving Authority – The entity designated in law as having the authority to approve certain budgetary changes during the interim. The approving authorities are:

- The Governor or his/her designated representative for executive branch agencies
- The Chief Justice of the Supreme Court or his/her designated representative for the judicial branch agencies
- The Speaker of the House of Representatives for the House;
- The President of the Senate for the Senate
- The appropriate standing legislative committees or designated representative for the legislative branch divisions
- The Board of Regents of Higher Education or their designated representative for the university system

Average Daily Population (ADP) – The population measure used to calculate population in the Montana correctional system. ADP is equivalent to one inmate incarcerated for one year.

Average Number Belonging (ANB) – The enrollment measure used for K-12 BASE aid calculations. ANB is the equivalent of one full-time student enrolled in school for the full school year.

Base – The level of funding authorized by the previous legislature.

Base Budget – The resources needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Benefits – An expenditure category used to account for the provision of payments or services by the government to individuals who qualify for receipt of those payments or services, such as Medicaid benefits. Personal services benefits for state employees are included in the personal services expenditure category.

Biennial Appropriation – An appropriation that can be expended in either or both years of the biennium.

Biennium – A two-year period. For the state, this period begins July 1 of the odd-numbered years and ends June 30 of the following odd-numbered year.

Budget Amendments – Temporary authority to spend unanticipated non-general fund revenue received after the legislature adjourns. The funds must be used to provide additional services and cannot make a commitment of general fund support for the present or future.

Cat and Dog Appropriations – One-time appropriations made in bills other than the general appropriations act.

Debt Service – The payment on outstanding bonds.

Decision Package – Separate, specific adjustments to the base budget. Decision packages can be either present law adjustments or new proposals.

Earmarked Revenue – Funds from a specific source that can be spent only for designated activities.

Enterprise Funds – A fund used to account for operations financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs, primarily through user charges.

Federal Special Revenue – Accounts deposited in the state treasury from federal sources, to be used for the operation of state government.

Fiduciary Funds – Funds used to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds.

Fiscal Note - An estimate, prepared by the Office of Budget and Program Planning, of the probable revenues and costs that will be incurred as the result of a bill or joint resolution.

Fiscal Year (FY) aka State Fiscal Year (SFY) – A 12-month accounting period beginning July 1 and ending June 30. Fiscal year 2003 refers to the fiscal year ending June 30, 2003. (Note: The federal fiscal year (FFY) is October 1 through September 30.)

Fixed Costs – Fees (fixed costs) charged to agencies for a variety of services provided by other state agencies (e.g., payroll service fees, rent, warrant writing services, and data network services.).

FTE – Full-Time Equivalent position, or the equivalent of one person working full-time for the entire year. Also used to denote full-time equivalent students in the Montana University System for purposes of calculating state support.

Fund – A fiscal entity with revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

General Fund – Accounts for all governmental financial resources except those that must be accounted for in another fund.

General Fund Reversions – Unspent appropriated funds that are returned to the general fund at the close of the budget period.

Grants – An expenditure category used to account for the payment by a government entity to an individual or other entity who will perform a service.

HB 2 –The General Appropriations Act in which the legislature authorizes the funding for state government for the upcoming biennium. Each session, House Bill 2 is reserved for this purpose.

Indirect Cost – A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to a specific division or agency.

Interim – The time between regular legislative sessions.

Internal Service Funds – Funds use to account for the financing of goods and services provided by one department or agency to other departments, agencies, or governmental entities on a cost-reimbursement basis.

IRIS - The Integrated Revenue Information System (IRIS) is an automated system to administer taxes that are the responsibility of the Department of Revenue to collect.

Local Assistance – An expenditure classification primarily used to account for expenditures made for K-12 funding provided by the state to school districts.

MBARS – The Montana Budget Analysis and Reporting System, which provides all state agencies with one computerized system for budget development, maintenance and tracking, and is integrated with the State Accounting, Budget, and Human Resource System (SABHRS).

Mill – The property tax rate based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property value.

New Proposals – Requests (decision packages) to provide new non-mandated services, to change program services, to eliminate existing services, or to change the source of funds.

Non-budgeted Expenditures – Accounting entries for depreciation, amortization, and other financial transactions that appear as expenditures, but don't actually result in direct dispersal of funds from the state treasury.

Operating Expenses – All operating expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, rent, travel, and repair and maintenance.

Other Funds – Capital projects and fiduciary funds.

Capital projects fund – Accounts for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

Fiduciary funds – Trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agency for individuals, private organizations, other governmental entities, or other funds.

Pay Plan – Provision by the legislature of a general adjustment to salaries and/or benefits paid to state employees. Also refers to the pay schedule listing the state salary rate for each classified position according to that position's grade and the market rate.

Personal Services – Expenditures for salaries, benefits, per diem, and other additions, such as overtime.

Personal Services Snapshot – The point in time at which personal services attributes are captured and from which the personal services budget is determined. The executive budget personal services costs are based on a "snapshot" of actual salaries for authorized FTE as they existed in a pre-determined pay period in the base year.

Present Law – The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Present Law Adjustments – Requests (decision packages) for an adjustment in funding sufficient to allow maintenance of operations and services at the level authorized by the previous legislature (e.g., caseload, enrollment changes, and legally mandated workload).

Program – A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. Also, a grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes.

Proprietary Funds – Enterprise or internal service funds. Statute does not require that most proprietary funds be appropriated.

Enterprise funds – Funds that account for operations financed and operated in a manner similar to private business enterprises, and through which the intent is to provide goods or services to the public.

Internal service funds – Funds that account for the financing of goods or services provided by one department or agency to other departments or agencies of state government.

Reporting Levels – Budget units dividing agency and program budgets into smaller units for the purpose of constructing, analyzing, and approving budgets.

SABHRS – The State Accounting, Budget, and Human Resource System that combines the state's accounting, budgeting, personnel, payroll, and asset management systems into one single system.

State Special Revenue – Accounts for money from state and other nonfederal sources that is earmarked for a particular purpose, as well as money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement.

Supplemental Appropriation – An additional appropriation made by the governing body after the budget year or biennium has started. There are two types of supplemental appropriations that can be used to increase spending authority for a fiscal year: 1) a transaction in an even-numbered year that moves spending authority from the second year of the biennium to the first year; or 2) an appropriation passed and approved by the legislature to provide authority for the odd-numbered fiscal year ending the current biennium.

Vacancy Savings – The difference between what agencies actually spend for personal services and the cost of fully funding all funded positions for the entire year.

Acronyms

AES	Agricultural Experiment Station	LAD	Legislative Audit Division
ADP	Average Daily Population	LEPO	Legislative Environmental Policy Office
ANB	Average Number Belonging (K-12 education)	LFA	Legislative Fiscal Analyst
ARM	Administrative Rules of Montana	LFC	Legislative Finance Committee
BASE Aid	Base Amount for School Equity Aid	LFD	Legislative Fiscal Division
BPE	Board of Public Education	LRBP	Long Range Building Program
C&A	Cultural and Aesthetic (Trust)	LRP	Long Range Planning
CC	Community Colleges	LSD	Legislative Services Division
CES	Cooperative Extension Service	MAC	Montana Arts Council
CHE	Commissioner of Higher Education	MBARS	Montana Budgeting, Analysis, and Reporting System
CHIP	Children's Health Insurance Program (also SCHIP)	MBCC	Montana Board of Crime Control
CIO	Chief Information Officer	MBMG	Montana Bureau of Mines and Geology
COPP	Commissioner of Political Practices	MCA	Montana Code Annotated
COT	College of Technology, followed by campus designation	MCHA	Montana Comprehensive Health Association
CPI	Consumer Price Index	MDC	Montana Developmental Center
DEQ	Department of Environmental Quality	MDT	Montana Department of Transportation
DMA	Department of Military Affairs	MHP	Montana Highway Patrol
DNRC	Department of Natural Resources and Conservation	MHS	Montana Historical Society
DOA	Department of Administration	MSDB	Montana School for the Deaf and Blind
DOA	Department of Agriculture	MSF	Montana State Fund
DOC	Department of Commerce	MSL	Montana State Library
DOC	Department of Corrections	MSP	Montana State Prison
DOJ	Department of Justice	MSU	Montana State University, followed by campus designation i.e. MSU – Bozeman
DOLI	Department of Labor and Industry	MUS	Montana University System
DOR	Department of Revenue	NP	New Proposal
DP	Decision Package	OBPP	Office of Budget and Program Planning
DPHHS	Department of Public Health and Human Services	OCHE	Office of the Commissioner of Higher Education
FCES	Forestry and Conservation Experiment Station	OPI	Office of Public Instruction
FMAP	Federal Medical Assistance Participation rate (Medicaid)	PERS	Public Employees Retirement System
FSR	Federal Special Revenue	PL	Present Law
FSTS	Fire Services Training School	PSC	Public Service Commission
FTE	Full-Time Equivalent	RIGWA	Resource Indemnity and Groundwater Assessment Tax
FWP	Department of Fish, Wildlife, and Parks	RIT	Resource Indemnity Trust
FFY	Federal Fiscal Year	SABHRS	Statewide Accounting, Budgeting, and Human Resources System
FY	Fiscal Year	SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
FYE	Fiscal Year End	SAO	State Auditor's Office
GAAP	Generally Accepted Accounting Principles	SF&C	Senate Finance and Claims Committee
GF	General Fund	SOS	Secretary of State
GSL	Guaranteed Student Loan	SSR	State Special Revenue
GTB	Guaranteed Tax Base	TANF	Temporary Assistance for Needy Families
HAC	House Appropriations Committee	TRS	Teachers' Retirement System
HSRA	Highways Special Revenue Account	TSEP	Treasure State Endowment Program
I&I	Interest and Income	UM	University of Montana, followed by campus designation i.e. UM – Missoula
IRIS	Integrated Revenue Information System		
IT	Information Technology		
ITSD	Information Technology Services Division		

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